



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended : **30 June 2016**
2. SEC Identification Number : **AS092-000589**
3. BIR Tax Identification Number : **001-817-292**
4. Exact name of Registrant as specified in its charter : **Greenergy Holdings Incorporated**
5. Province, Country or other Jurisdiction on incorporation or organization : **Philippines**
6. Industrial Classification Code : **(SEC Use Only)**
7. Address of Principal Office : **54 National Road, Dampol II-A Pulilan, Bulacan**
8. Issuer's Telephone No. including area code : **(02) 997-5184**
9. Former name of the Company : **Not applicable**

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Stock Outstanding and Amount of Debt Outstanding <sup>1</sup>
Common	1,800,778,568
Preferred	1,000,000,000
Amount of Debt Outstanding:	₱220,042,745

11. Are any or all of these securities listed on the Philippine Stock Exchange

Yes [  ]

No [  ]

The Issuer has 452,434,782 shares listed in the Philippine Stock Exchange.

12. Indicate by check mark whether the registrant:

a. Has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1

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<sup>1</sup> As of 30 June 2016

thereunder and Sections 26 and 41 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such report).

Yes [ ]

No [ x ]

b. Has been subject to such filing requirement for the past 90 days.

Yes [ x ]

No [ ]

## **PART I - FINANCIAL INFORMATION**

### **Item 1. Financial Statements.**

The unaudited consolidated financial statements of Greenergy Holdings Incorporated and subsidiaries as of and for the period ended 30 June 2016 (with comparative figures as of 31 December 2015 and for the period ended 30 June 2015) are filed as part of this SEC Form 17-Q as Annex "A".

### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the attached unaudited consolidated financial statements of Greenergy Holdings Incorporated and subsidiaries as of and for the period ended 30 June 2016.

## **MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION**

Interim 2<sup>nd</sup> quarter

### **Balance Sheet**

Cash both amounted to to P1.65 million as at June 30, 2016 and at December 31, 2015. The minimal movement in cash is primarily due to interest income and bank charges only.

Receivables decreased to P251.18 million in June 30, 2016 from P251.19 million as of December 31, 2015 mainly due to liquidation held by officers and project implementers.

Due from related parties decreased to P794.22 million in June 30, 2016 from P800.70 million consolidated at December 31, 2015 as a result of liquidation and payment.

Other current assets increased to P4.41 million in June 30, 2016 from P3.32 million consolidated at December 31, 2015 due to increase in materials and supplies used in the Park.

Investment in associate increased to P323.46 million in June 30, 2016 from P321.35 million at December 31, 2015 as a result of the share of net income in the operations of its associates acquired.

Property and equipment, net decreased to P1.46 million in June 30, 2016 from P1.61 million as at December 31, 2015 mainly due to the amortization of depreciation expense.

Investment properties decreased during the period from P33.10 million as at December 31, 2015 to P18.52 million in June 30, 2016 due to sale of 2 lots sold in January 2016.

Trade and Other Payables decreased to P19.08 million in June 30, 2016 compared to the December 31, 2015 amounting to P33.61 million as a result of reclassification of deposit from customer on the sale of 2 lots received in 2015 and payments of payables to suppliers.

Non controlling interest decreased to P140.24 million in June 30, 2016 from P142.12 million as at December 31, 2015 due to the results of the operations of subsidiaries under common control.

#### **Income Statement**

There are no revenues of the Group for the first quarter of 2016 except for interest income from banks. The share in loss of an associate decreased from a loss of ₱12.62 million in 2015 to a gain of ₱2.11 million in 2015 due to a positive results of operations from its associate. Expenses such as interest expense, salaries and wages, freight charges and rentals decreased during the 2<sup>nd</sup> quarter of 2016 as compared to last year quarter.

The Company estimates that its Gross Profit Margins will improve in the next two (2) years when returns on the Company's investments become visible especially on the increase in service income for agri-tourism and sale of harvests from greenhouse projects in one of its subsidiaries.

General and administrative expenses in 2016 totaled ₱5.41 million, a decreased of 35% compared to that in 2015 which amounted to ₱8.28 million due to the acquisition of additional subsidiaries of which their expenses were included in the consolidation beginning 2015. Other than the Group's investment in Rosario, Batangas, new business opportunities are being explored by the Company including those in the field of Information Technology and renewable energy.

As a result of the above, the Company had a Consolidated Operating Loss in 2016 of ₱3.30 million.

## **PART II--OTHER INFORMATION**

None.

## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer **GREENERGY HOLDINGS INCORPORATED**



Signature and Title **ANTONIO L. TIU**  
Chairman and President

Date **7 November 2016**



Signature and Title **KENNETH S. TAN**  
Chief Financial Officer

Date **7 November 2016**

**GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2016 AND DECEMBER 31, 2015**  
*(Amounts in Philippine Pesos)*

	Note	2016	2015
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	6	₱1,649,480	₱1,650,178
Receivables-net	7	251,175,273	251,190,236
Due from related parties	18	794,422,084	800,704,464
Deposit for land acquisition	8	11,000,000	11,000,000
Other current assets	10	4,405,767	3,324,775
Total Current Assets		1,062,652,604	1,067,869,653
<b>Noncurrent Assets</b>			
Available-for-sale (AFS) investments	11	370,000	370,000
Investment in an associate	12	323,459,810	321,347,141
Property and equipment-net	14	1,463,454	1,608,546
Investment properties	15	18,522,141	33,096,141
Other noncurrent assets		179,006	179,006
Total Noncurrent Asset		343,994,411	356,600,834
		<b>₱1,406,647,015</b>	<b>₱1,424,470,487</b>

**LIABILITIES AND EQUITY**

<b>Current Liabilities</b>			
Trade and other payables	16	₱19,080,862	₱33,607,662
Deposit for future stock subscription	18	177,000,000	177,000,000
Due to related parties	18	5,221,883	5,221,883
Current portion of loan payable	17	15,030,000	15,030,000
Total Current Liabilities		216,332,745	230,859,545
<b>Noncurrent Liability</b>			
Loan payable	17	3,710,000	3,710,000
Total Liabilities		220,042,745	234,569,545

*(Forward)*

(Carryforward)

	Note	2016	2015
<b>Equity</b>			
<b>Equity attributable to equity holders of Parent Company</b>			
Capital stock	19	<b>₱1,803,278,568</b>	₱1,803,278,568
Additional paid-in capital		<b>268,090,531</b>	268,090,531
Deficit		<b>(1,014,569,612)</b>	(1,013,153,859)
Equity in other comprehensive income of an associate-net		<b>(10,046,002)</b>	(10,046,002)
Fair value loss on AFS investment		<b>(390,600)</b>	(390,600)
		<b>1,046,362,885</b>	1,047,778,638
<b>Non-controlling interest</b>	23	<b>140,241,385</b>	142,122,304
Total Equity		<b>1,186,604,270</b>	1,189,900,942
		<b>₱1,406,647,015</b>	₱1,424,470,487

See accompanying Notes to Consolidated Financial Statements.

**GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015**  
*(Amounts in Philippine Pesos)*

	Notes	For the quarter ended June 30		For the six months ended June 30	
		2016	2015	2016	2015
<b>INCOME</b>					
Intest income	6	₱ 885	₱ 1,753	₱ 2,302	₱ 3,853
Equity in net income (loss) of associates	11	652,459	958,304	2,112,669	(11,663,825)
Miscellaneous income			2,527		2,527
		<b>653,344</b>	962,584	<b>2,114,971</b>	(11,657,444)
General and administrative expenses	19	1,988,437	2,848,299	5,411,643	8,283,660
Interest expense	16	-	836,640	-	1,344,973
Realized foreign exchange loss	9	-	-	-	2,269
		<b>1,988,437</b>	3,684,939	<b>5,411,643</b>	9,630,902
<b>LOSS BEFORE INCOME TAX</b>		<b>(1,335,093)</b>	(2,722,355)	<b>(3,296,672)</b>	(21,288,346)
<b>INCOME TAX EXPENSE</b>	20	-	-	-	-
<b>NET LOSS</b>		<b>(1,335,093)</b>	(2,722,355)	<b>(3,296,672)</b>	(21,288,346)
<b>NET LOSS ATTRIBUTABLE TO:</b>					
Equity holders of the Parent Company		₱ (583,869)	₱ (1,852,147)	₱ (1,415,753)	₱ (18,800,612)
Non-controlling interests	22	(751,224)	(870,208)	(1,880,919)	(2,487,734)
		<b>(1,335,093)</b>	(2,722,355)	<b>(3,296,672)</b>	(21,288,346)
<b>OTHER COMPREHENSIVE INCOME</b>					
<i>Item that may be classified subsequently to profit or loss</i>					
Net change in unrealized loss on					
AFS investments		-	(90,000)	-	(120,000)
		<b>(1,335,093)</b>	(2,812,355)	<b>(3,296,672)</b>	(21,408,346)
<b>Fair value changes in AFS investment</b>					
<b>Attributable to:</b>					
Equity holders of the Parent Company		(583,869)	(1,942,147)	4,477,591	(18,920,612)
Non-controlling interests	22	(751,224)	(870,208)	(1,880,919)	(2,487,734)
		<b>(1,335,093)</b>	(2,812,355)	<b>2,596,672</b>	(21,408,346)
		<b>₱ (1,335,093)</b>	<b>₱ (2,812,355)</b>	<b>₱ (3,296,672)</b>	<b>₱ (21,408,346)</b>



**GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015**  
*(Amounts in Philippine Pesos)*

	Note	2016	2015
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT COMPANY</b>			
<b>CAPITAL STOCK</b>			
	18		
Authorized—1.9 billion common shares at ₱1.00 par value in 2015 and 2014 and 200.0 billion common shares at ₱0.01 par value in 2013			
Balance at beginning of year		<b>₱1,800,778,568</b>	₱1,800,778,565
Issuance during the year		—	—
Converted to preferred shares		—	—
Balance at end of year		<b>1,800,778,568</b>	1,800,778,565
Authorized—1.0 billion preferred shares at ₱0.10 par value			
Balance at beginning of year		<b>100,000,000</b>	100,000,000
Issuance during the year		—	—
Converted from common shares		—	—
Balance at end of year		<b>100,000,000</b>	100,000,000
Subscriptions receivable			
Beginning of the year		<b>97,500,000</b>	97,500,000
Increase (decrease) during the year		—	—
		<b>97,500,000</b>	97,500,000
Balance at end of year		<b>1,803,278,568</b>	1,803,278,565
<b>ADDITIONAL PAID-IN CAPITAL</b>	18	<b>268,090,531</b>	268,090,531
<b>FAIR VALUE LOSS ON AFS INVESTMENTS</b>			
	10		
Balance at beginning of year		<b>(390,600)</b>	(316,200)
Fair value gain (loss) during the year		—	74,400
Balance at end of year		<b>(390,600)</b>	(390,600)

*(Forward)*

(Carryforward)

	Note	2016	2015
<b>EQUITY IN OTHER COMPREHENSIVE</b>			
<b>INCOME OF AN ASSOCIATE</b> 11			
Balance at beginning of year		(P10,046,002)	P7,731,244
Exchange differences on translation of foreign operations		-	-
Remeasurement on pension liability net of tax		-	-
Balance at end of year		(10,046,002)	7,731,244
<b>DEFICIT</b>			
Balance at beginning of year		(1,013,153,859)	(863,390,634)
Net loss for the year		(1,415,753)	(18,800,612)
Balance at end of year		(1,014,569,612)	(882,191,246)
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT</b>			
		1,046,362,885	1,196,518,494
<b>NON-CONTROLLING INTEREST</b> 22			
Balance at beginning of year		142,122,304	145,631,237
Net profit (loss) during the year		(1,880,919)	(2,487,734)
Share in fair value loss on AFS investments		-	(45,600)
		140,241,385	143,097,903
		<b>P1,186,604,270</b>	<b>P1,339,616,397</b>

See accompanying Notes to Consolidated Financial Statements

**GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015**  
*(Amounts in Philippine Pesos)*

	Notes	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax		<b>(₱3,296,672)</b>	(₱21,288,346)
Adjustments for:			
Equity in net(gain) loss of associates	11	<b>(2,112,669)</b>	11,663,825
Accounts written off	7, 9, 19	–	–
Depreciation	13, 19	<b>145,092</b>	318,976
Interest income	6	<b>(2,302)</b>	(3,853)
Operating income (loss) before working capital changes		<b>(5,266,551)</b>	(9,309,399)
Decrease (increase) in:			
Receivables	7	<b>14,963</b>	(1,660,714)
Other current assets	9	<b>(1,080,992)</b>	(1,774,696)
Increase (decrease) in trade and other payables	15	<b>(14,526,800)</b>	882,440
Net cash provided by (used in) operations		<b>(20,859,380)</b>	(11,862,369)
Interest received	6	<b>2,302</b>	3,853
Net cash used in operating activities		<b>(20,857,078)</b>	(11,858,516)
Payments received from related parties	17	<b>6,930,147</b>	18,999,248
Deposit received from sale of investment property	15	<b>14,574,000</b>	–
Advances made to related parties	17	<b>(647,767)</b>	(7,757,021)
Additions to property and equipment	13	–	(109,520)
Net assets of deconsolidated			

*(Forward)*

(Carryforward)

	Note	2016	2015
<b>CASH FLOWS FROM AN INVESTING ACTIVITIES</b>			
Addition to biological asset		<b>₱-</b>	(₱556,250)
Net cash provided by (used in) investing activities		<b>20,856,380</b>	10,576,457
<b>CASH FLOW FROM A FINANCING ACTIVITIES</b>			
Payments of loan payable	16	-	(3,340,000)
Advances received from related parties	17	-	2,774,266
Proceeds from issuance of			
Net cash provided by (used in) financing activities		-	(565,734)
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>(698)</b>	(1,847,793)
<b>CASH AT BEGINNING OF YEAR</b>		<b>1,650,178</b>	3,826,833
<b>CASH AT END OF YEAR</b>	6	<b>₱1,649,480</b>	₱1,979,040

*See accompanying Notes to Consolidated Financial Statements.*

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**GREENERGY HOLDINGS INCORPORATED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED COMPANY FINANCIAL STATEMENTS**  
*(Amounts in Philippines Pesos)*

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**1. Corporate Information**

Greenenergy Holdings, Incorporated and Subsidiaries (formerly MUSX Corporation, singly as the Parent Company or GHI and collectively as the Group) was registered with the Philippine Securities and Exchange Commission (SEC) in January 29, 1992. The Parent Company's shares are listed with the Philippine Stock Exchange (PSE).

The Parent Company, formerly engaged in the manufacture and sale of semiconductors products, changed its primary purpose to that of a Holding Parent Company. The change was approved by the SEC on December 15, 2008.

The Parent Company's primary purpose is to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, or otherwise dispose of real or personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidence of indebtedness, marketable securities, deposit substitutes in any valid currency, and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign, for whatever lawful purpose or purposes the same may have been organized and to pay therefor in money or by exchanging therefore stocks, bonds, or other evidences of indebtedness or securities of this or any other corporation, stocks, bonds, debentures, contracts, or obligations, to receive, collect, and dispose of the interest, dividends, proceeds and income arising from such property; and to possess and exercise in respect therefore all voting powers of any stock so owned, provided that the corporation shall not engage as stock brokers or dealers in securities.

The Parent Company's principal office is located at 54 National Road, Dampol II-A, Pulilan, Bulacan.

On June 22, 2011, the SEC approved the amendment of the Parent Company's Articles of Incorporation which provided for the following:

- Change in the registered business name from MUSX Corporation to its current name;
- Change in the principal office and place of business of the Corporation from L14 Net Cube Centre, 3rd Avenue corner 30th Street, E- Square Crescent Park, West Bonifacio Global City, Taguig to 54 National Road, Dampol II-A, Pulilan, Bulacan;
- Decrease in par value from ₱0.10 per share to ₱0.01 per share; and
- Increase in authorized capital stock from ₱500.0 million divided into 5.0 billion shares at ₱0.10 par value per share to ₱1.0 billion divided into 100 billion shares at ₱0.01 par value per share.

On March 8, 2012, the SEC approved the increase in authorized capital stock of the Parent Company from ₱1.0 billion divided into 100 billion shares at ₱0.01 par value per share to ₱2.0 billion divided into 200 billion shares at ₱0.01 par value per share.

On June 27, 2013, the Board of Directors (BOD) approved the restructuring of the authorized capital stock of the Parent Company from 200 billion shares at ₱0.01 to 2.9 billion shares divided into 1.9 billion common shares at ₱1.0 par value per share and 1.0 billion preferred shares at ₱0.10 par value per share. The application for the restructuring of the authorized capital stock was approved by the SEC on September 11, 2014.

As of June 30, 2016 and December 31, 2015, the Parent Company holds investments in the following subsidiaries and associates:

Investee	Country of Incorporation	Principal Activity	Principal place of business	Percentage of Ownership	
				2016	2015
<i>Subsidiaries</i>					
1. Winsun Green Ventures, Inc. (WGVI)	Philippines	Renewable energy system	Pulilan, Bulacan	<b>100%</b>	100%
2. Agrinurture Development Holdings, Inc. (ADHI)	Philippines	Investment Holding	Makati City	<b>100%</b>	100%
3. Sunchamp Real Estate Development Corporation (SREDC)	Philippines	Real Estate	Makati City	<b>62%</b>	62%
4. Total Waste Management Recovery System, Inc. (TWMRSI)	Philippines	Waste Management Facility	Pulilan, Bulacan	<b>51%</b>	51%
5. Lite Speed Technologies Inc. (LSTI)	Philippines	Information Technology	Makati City	<b>51%</b>	51%
<i>Associates</i>					
1. Agrinurture, Inc. (ANI)	Philippines	Trading	Pulilan, Bulacan	<b>30%</b>	30%
2. Isabela Alcogas Corporation (IAC)*	Philippines	Manufacturing	Makati City	-	50%
3. Music Semiconductor Philippines, Inc. (MSPI)**	Philippines	Logistics and Manufacturing	Muntinlupa City	-	39%

*\*Written off in 2014*

*Winsun Green Ventures Inc. (WGVI)*

On June 22, 2012, the SEC approved the incorporation of WGVI with the primary purpose of engaging in renewable energy projects.

WGVI has not yet started its commercial operations as of October 28, 2016.

WGVI has a capital deficiency amounting to ₱66.3 million as of December 31, 2015 and 2014. Due to this, the management of the Parent Company believes that its investment in WGVI is impaired. Accordingly, in 2014, a full allowance for impairment loss was provided in the Parent Company financial statements.

*Agrinurture Development Holdings Inc. (ADHI)*

ADHI was registered with the SEC on June 17, 2014, as a wholly-owned subsidiary, to operate as a holding company of the agriculture portfolio of the Group. As of October 28, 2016, ADHI has not yet started its normal operation.

*Sunchamp Real Estate Development Corp. (SREDC)*

On October 2, 2013, the Parent Company acquired 20% of the voting shares of SREDC. SREDC is a real estate company that focuses on the development of self-sustaining agri-tourism areas.

In 2014, the Parent Company acquired additional 310,000,000 common shares of SREDC at the issue price of ₱1.0 per share or a total of ₱310,000,000 which increased its ownership to 62.39% making SREDC a subsidiary of the Parent Company.

On January 18, 2013, SREDC entered into an agreement with a third party, for the transfer of all the rights, titles and interest over a 150-hectare land in Rosario, Batangas, where a planned project for a self-sustaining agri-tourism park (the "Park") will be located (see Note 8).

The Park, which will be called "Sunchamp Agri-Tourism Park", is intended to re-shape the people's perception of agriculture. The Park will showcase the farm-to-plate business model that promotes agriculture as a commercially viable and growing business activity. The Park will also use the latest techniques for organic and natural farming.

In 2015, the Park constructed 30 greenhouses, out of which 17 greenhouses are already being utilized for high value crops such as bell pepper and lettuce, as well as a 3-hectare asparagus farm. It is also in the process of developing a 20-hectare area for root crops.

In order to encourage Filipinos to become "agri-entrepreneurs" or professionals in the agriculture industry, the Park will offer agri-tourism and lifestyle center activities where families will have a hands-on agriculture and culinary experience. The commercial operation of the tourism aspect of the Park, which will showcase the Filipino farmers' creativity and hospitality as well as educate children about the future of and in agriculture, is targeted in 2017.

*Total Waste Management Recovery System Inc. (TWMRSI)*

On October 19, 2011, the Parent Company's stockholders approved the acquisition of 51% of TWMRSI, a domestic corporation engaged in the business of building, operating and managing waste recovery facilities and waste management systems within the Philippines. The Parent Company advanced ₱235.0 million which was used to acquire machineries and equipment and steel structure for TWMRSI's waste recycling project (see Note 12).

On March 27, 2012, the Parent Company acquired the 51% ownership in TWMRSI when the SEC approved the application for increase in authorized capital stock of TWMRSI.

The operation of its facilities is geared toward efficient, hygienic and economical collection, segregation, recycling, composting, filling, disposing, treating and managing of household, office, commercial and industrial garbage.

Currently, the TWMRSI has a waste recovery property in Santiago Street, Brgy. Lingunon Valenzuela City which was initially expected to be in full operation in 2014. As of reporting date, TWMRSI has yet to finalize the site for installation of equipment in strategic areas which includes those near landfills and dumpsites all over the country.

TWMRSI has not yet started its commercial operations as of October 28, 2016. TWMRSI has no employees. Its accounting and administrative functions are handled by the Parent Company at no cost to TWMRSI.

TWMRSI has a capital deficiency amounting to ₱233.5 million and ₱233.4 million as of June 30, 2016 and December 31, 2015, respectively. Due to this, the management of the Parent Company believes that its investment in TWMRSI is impaired. Accordingly, in 2014, a full allowance for impairment loss was provided in the Parent Company financial statements.

*Lite Speed Technologies Inc. (LSTI)*

On June 16, 2014, the BOD of the Parent Company approved the incorporation of LSTI, a 51% owned subsidiary. LSTI was registered with the SEC on August 14, 2014 to engage in the business of information and communication technology.

LSTI has not yet started its commercial operations as of October 28, 2016. Target start of commercial operations is on 2017.

*Biomass Holdings Inc. (BHI)*

On October 31, 2012, the SEC approved the incorporation of BHI, a 60%-40% joint venture arrangement with ThomasLloyd Cleantech Infrastructure Fund GMBH (TLCIF). BHI was incorporated with the primary purpose of investing in any other entity engaged in the business and/or operation of renewable energy systems and/or harnessing renewable energy resources. Subsequently, BHI invested in San Carlos Biomass, Inc. (SCBI), a biomass power plant in Negros Occidental.

In 2013, due to differences in the direction of BHI, both parties have agreed that the Parent Company will sell its stake in BHI at cost. Consequently, on October 2, 2013, the BOD authorized the Parent Company to explore the sale of all or a portion of the Parent Company's 60% equity in BHI.

On March 26, 2014, the BOD approved the sale of the Parent Company's 60% equity in BHI at cost. Hence, the assets in BHI were presented as "assets classified as held for sale" and liabilities in BHI as "liabilities directly associated with assets classified as held for sale".

On April 2, 2014, the Parent Company disclosed to the public that it has bound itself to divest its 60% equity interest in BHI in favor of TLCIF or the latter's assignee.

On June 30, 2014, the Parent Company disclosed to the public that it has received the total consideration amounting to ₱400,522,380 for its 60% interest in BHI. As of July 1, 2014, the parties finally executed pertinent deed of absolute sales and deed of assignment of subscription. BHI is no longer consolidated with GHI as of December 31, 2014.



Further to the Parent Company's disclosure last June 30, 2014, the Parent Company disclosed to the investing public that the following deeds were executed on July 1, 2014 between the Parent Company and TLCIF in relation to the divestment by the Parent Company of its 600,000,000 common shares equivalent to 60% equity interest in BHI.

1. Deed of Absolute Sale covering the 300,000,000 fully paid common shares of the Company in BHI for the total purchase price of ₱300,000,000; and
2. Deed of Assignment of Subscription covering the 300,000,000 partially paid common shares of the Company in BHI for the total purchase price of ₱100,522,380. TLCIF shall assume payment of the balance of the subscription to BHI.

Isabela Alcoogas Corporation (IAC)

On December 11, 2012, the Parent Company's stockholders approved a 50% investment in IAC, a company registered with the SEC on October 17, 2007. IAC's primary purpose is to engage in the business of manufacturing of goods such as ethanol and other biofuel and to trade the same on a wholesale or retail basis.

The Group's investment was provided with full allowance as management believes that the investment can no longer be recovered.

Music Semiconductor Philippines, Inc. (MSPI), MUSIC Semiconductors, Inc. (MSI), Museum Electronic N.V. (MENV) and Protelcon, Inc. (PI)

On December 23, 2010, the stockholders approved the Parent Company's initiative to venture into other business opportunities such as renewable energy and waste management systems by reducing its interest in the semiconductor business. Accordingly, the Parent Company, in 2011, divested all of its interests in MSI, MENV and PI but retained 39% from 100% interest in MSPI.

In connection with the divestment, MSPI issued a three (3) year convertible bond in favor of the Parent Company equivalent to ₱118.5 million. The convertible bond of ₱118.5 million was fully impaired and written-off in 2011 as management has assessed that these bonds may not be realized.

Going-Concern

The Group's financial statements have been prepared on a going-concern basis, which assumes that the Group will be able to continue towards increasing revenues and improving operations despite heavy losses from operations. Currently the Group has a net loss attributable to the equity holders of the Parent Company of ₱1.96 million and ₱148.3 million for the period ended June 30, 2016 and December 31, 2015, respectively.

On December 15, 2008, the SEC approved the application of the Parent Company to change its primary purpose to a holding company. At present, the Parent Company continues to operate as a holding company with the intention of merging its associates and subsidiaries, thus, it made various investments in diversified industries but not limited to renewable energy, food and agriculture, and information technology. Key subsidiaries and associate are fully operational with their respective cash flows; or pre-operating stages with various projects in the pipeline under modest spending guidelines. With these investments, the Group continues to generate sufficient cash flows to sustain operations and complete its current and future plans.

The accompanying consolidated financial statements of the Parent Company and Subsidiaries as of and for the period ended June 30, 2016 and December 31, 2015 were approved and authorized for issue by the BOD on October 28, 2016.

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## 2. **Basis of Preparation**

The principal accounting policies adopted in preparing the consolidated financial statements of the Group are as follows:

### Basis of Preparation of Financial Statements

The consolidated financial statements of the Group have been prepared using the historical cost basis, except for available-for-sale investments which are measured at fair values. These consolidated financial statements are presented in Philippine Peso, which is the Group's functional and reporting currency under Philippine Financial Reporting Standard (PFRS). All values are rounded to the nearest peso, except when otherwise indicated.

### Statement of Compliance

The accompanying consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council.

### Principles of Consolidation

The consolidated financial statements consist of the financial statements of the Parent Company and its subsidiaries as of December 31 of each year. The consolidated financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions, including intercompany profits and unrealized profits and losses are eliminated.

When the Group loses control over a subsidiary, at the date when control is lost, it: (a) derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amount; (b) derecognizes the carrying amount of any noncontrolling interests including any components of other comprehensive income attributable to them; (c) recognizes the fair value of the consideration received; (d) recognizes the fair value of any investment retained in the former subsidiary at its fair value; (e) account for all amounts recognized in other comprehensive income in relation to the subsidiary on the same basis as would be required if the parent had directly disposed of the related assets and liabilities, (f) recognizes any resulting difference as gain or loss in profit or loss attributable to the parent.

Non-controlling interests represent interests in certain subsidiaries not held by the Parent Company and are presented separately in the consolidated statements of income, consolidated statements of comprehensive income and consolidated statements of changes in equity and within equity in the consolidated statements of financial position, separately from equity attributable to the equity holders of Parent Company.

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### 3. Changes in Accounting and Financial Reporting Policies

The accounting policies adopted by the Group are consistent with those of the previous financial year except for the following amended PFRS, amended PAS and interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) which became effective in 2015:

*Amendments to PAS 19, "Employee Benefits - Defined Benefit Plans: Employee Contributions"*

The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the re-measurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans.

The amendments have no significant impact to the Group's financial statements as the Group has no retirement fund.

*Annual Improvements to PFRS (2010 to 2012 cycle)*

The annual improvements to PFRS (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 13, "*Fair Value Measurement - Short-term Receivables and Payables*"  
The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial.

The amendment has no significant impact on the Group's consolidated financial statements.

- PFRS 2, "*Share-based Payment - Definition of Vesting Condition*"  
The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues.

The amendment does not apply to the Group as it currently has no share-based payments.

- PFRS 3, "*Business Combinations - Accounting for Contingent Consideration in a Business Combination*"  
The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32, Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss (FVPL) whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted).

The amendment does not apply to the Group as it has no business combination transactions in 2016.

- PFRS 8, *"Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets"*

The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker.

The amendments affect disclosures only and have no impact on the Group's consolidated financial statements.

- PAS 16, *"Property, Plant and Equipment: Revaluation Method - Proportionate Restatement of Accumulated Depreciation"*

The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

- a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
- b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

This applies to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

The amendment has no impact on the Group's consolidated financial statements since it has no property and equipment carried at revalued amounts.

- PAS 24, *"Related Party Disclosures - Key Management Personnel"*

The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the Parent Company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity.

The amendments affect disclosures only and have no impact on the Group's consolidated financial statements.

- PAS 38, *"Intangible Assets: Revaluation Method - Proportionate Restatement of Accumulated Amortization"*

The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

- a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
- b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

These amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period.

The amendments are currently not applicable to the Group since it has no intangible assets carried at revalued amounts.

#### Annual Improvements to PFRS (2011 to 2013 cycle)

The annual improvements to PFRS (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *"First-time Adoption of Philippine Financial Reporting Standards - Meaning of Effective PFRS"*

The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements.

This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.

- PFRS 3, *"Business Combinations - Scope Exceptions for Joint Arrangements"*  
The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

The amendment is currently not applicable to the Group.

- PFRS 13, *"Fair Value Measurement - Portfolio Exception"*  
The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts.

The amendment has no impact on the Group's consolidated financial statements.

- **PAS 40, "Investment Property"**

The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3.

The amendment has no significant impact on the Group's consolidated financial statements.

New Accounting Standards, Amendments to Existing Standards Annual Improvements and Interpretations Effective Subsequent to December 31, 2015

The standards, amendments, annual improvements and interpretations which have issued but are not yet effective are discussed below and in the subsequent pages. The Group will adopt these standards, amendments and annual improvements and interpretations when these become effective and applicable to the Group. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards, annual improvements and interpretations to have a significant impact on its consolidated financial statements.

Effective in 2016

- **PFRS 10, PFRS 12 and PAS 28, "Investment Entities: Applying the Consolidation Exception"**

The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with PFRS 10. Consequential amendments have also been made to PAS 28 to clarify that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value.

The amendments further clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

Moreover, the amendments clarify that in applying the equity method of accounting to an associate or a joint venture that is an investment entity, an investor may retain the fair value measurements that the associate or joint venture used for its subsidiaries.

Lastly, clarification is also made that an investment entity that measures all its subsidiaries at fair value should provide the disclosures required by PFRS 12 Disclosure of Interests in Other Entities.

The amendments to PFRS 10 are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendments are not relevant to the Group.

- **PFRS 11, "Accounting for Acquisitions of Interests in Joint Operations"**

The amendments clarify the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business. The acquirer of an interest in a joint operation in which the activity constitutes a business is required to apply the principles on business combinations accounting. Previously held interest in joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. Amendments do not apply when the parties sharing joint control, including the reporting entity, are under the common control of the same ultimate controlling party.

The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier adoption permitted. The amendments are currently not applicable to the Group.

- PFRS 14, "*Regulatory Deferral Accounts*"  
PFRS 14 is an optional standard that allows an entity whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

The standard is currently not applicable to the Group.

- PAS 1, "*Presentation of Financial Statements: Disclosure Initiative*"  
The amendments were a response to comments that there were difficulties in applying the concept of materiality in practice as the wording of some of the requirements in PAS 1 had in some cases been read to prevent the use of judgment. Certain key highlights in the amendments are follows:
  - An entity should not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.
  - An entity need not provide a specific disclosure required by a PFRS if the information resulting from that disclosure is not material.
  - In the other comprehensive income section of a statement of profit or loss and other comprehensive income, the amendments require separate disclosure for the following items:
    - The share of other comprehensive income of associates and joint ventures accounted for using the equity method that will not be reclassified subsequently to profit or loss;
    - The share of other comprehensive income of associates and joint ventures accounted for using the equity method that will be reclassified subsequently to profit or loss.

The amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The Group does not expect that the amendments will have significant impact on the financial statements.

- PAS 16, "*Property, Plant and Equipment*" and PAS 38, "*Intangible Assets: Classification of Acceptable Methods of Depreciation and Amortization*"  
The amendments clarify that revenue-based methods to calculate the depreciation of an asset is inappropriate because revenue generated by an activity that includes the use of an asset reflects factors other than the consumption of the economic benefits embodied in the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

These amendments are effective from annual periods beginning on or after January 1, 2016, with earlier application permitted and are applied prospectively. The amendments are not expected to have an impact on the Group's financial position or performance.

- *PAS 16, "Property, Plant and Equipment" and PAS 41, "Agriculture: Bearer Plants"*  
The amendment clarifies that biological assets that meet the definition of bearer plants will be accounted for in the same way as property, plant and equipment PAS 16 Property, Plant and Equipment. The amendment also clarifies that produce growing on bearer plants continues to be accounted under PAS 41. For government grants related to bearer plants, PAS 20, Accounting for Government Grants and Disclosure of Government Assistance will apply.

These amendments are effective from annual periods beginning on or after January 1, 2016, with earlier application permitted. The Group will assess the impact of the amendments on the consolidated financial statements.

- *PAS 27, "Separate Financial Statements: Equity Method in Separate Financial Statements"*  
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply the change retrospectively. For first time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS.

These amendments are effective from annual periods beginning on or after January 1, 2016, with earlier application permitted and to be applied retrospectively. The Group does not expect that these amendments to have impact on the consolidated financial statements.

#### Annual Improvements to PFRS (2012 - 2014 Cycle)

The annual improvements to PFRS (2012-2014 cycle) contain non-urgent but necessary amendments to the following standards:

- *PFRS 5, "Noncurrent Assets Held for Sale and Discontinued Operations: Changes in Methods of Disposal"*  
The amendment clarifies the accounting for a change in a disposal plan from a plan to sell to a plan to distribute a dividend in kind to its shareholders (or vice versa) when an entity reclassifies an asset (or disposal group) directly from one method of disposal to other should not be considered a new plan rather as a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change date of classification.

This is currently not applicable to the Group.

- *PFRS 7, "Financial Instruments: Disclosure – Servicing Contracts"*  
This amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity is required to disclose any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will be applied retrospectively. An entity that first applies the amendments is not required to provide comparative disclosures for any period beginning before the annual period of first application.



The Group does not expect that this amendment will have significant impact on its consolidated financial statements.

- PFRS 7, "*Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*"

The amendment clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report. This amendment is applied.

The Group does not expect that this amendment will have significant impact on its consolidated financial statements.

- PAS 19, "*Employee Benefits: Regional Market Issue Regarding Discount Rate*"

This amendment clarifies that the rate used to discount post-employment benefit obligations (both funded and unfunded) shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. Where there is no deep market in such high quality corporate bonds, the market yields (at the end of the reporting period) on government bonds shall be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the postemployment benefit obligations.

This amendment is not expected to have any impact on the Group's consolidated financial statements.

- PAS 34, "*Interim Financial Reporting Disclosure of information elsewhere in the Interim Financial Report*"

These amendments clarify that an entity discloses information elsewhere in the interim financial report when it incorporates disclosures by cross-reference to information in another statement and wherever they are included within the greater interim financial report (e.g., management commentary or risk report).

This amendment is not expected to have significant impact on the Group's consolidated financial statements.

#### Effective in 2018

##### PFRS 9, "*Financial Instruments: Classification and Measurement*"

PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through OCI or profit or loss. Equity financial assets held for trading must be measured at FVPL. For liabilities designated as at FVPL using the FVO, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI.

The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for nonfinancial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting. This is not expected to have a significant impact on the Group's consolidated financial statements.

#### Deferred

- Philippine Interpretation IFRIC 15, *"Agreements for the Construction of Real Estate"*  
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Management will continuously assess the impact of this interpretation. Currently, management believes that the adoption of the interpretation will not have a significant impact on the Group's consolidated financial statements.
- PFRS 10, *"Consolidated Financial Statements"* and PAS 28, *"Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"*  
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments will be effective for annual periods beginning on or after January 1, 2016, with early application permitted. The amendments are currently not expected to have significant impact on the Group's consolidated financial statements.

*Standards issued by the IASB but not yet been adopted by the FRSC*

*IFRS 15, Revenue from Contracts with Customers*

- *IFRS 15, "Revenue from Contracts with Customers"*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2017 with early adoption permitted.

The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

- *IFRS 16, "Leases"*

IFRS 16 was issued in January 2016. Under the new standard, lessees will no longer classify their lease as either operating or finance leases in accordance with PAS 17. Rather, leases will apply the single-asset model, wherein lessees will recognize the assets and the related liabilities for most leases in their balance sheets and, subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. The new standard is effective for annual periods beginning on or after January 1, 2019, with an early adoption.

The Company will continue to assess the relevance and impact of the above standards, amendments to standards and interpretations. The revised disclosures on the financial statements required by the above standards and interpretations will be included in the Company's financial statements when these are adopted.

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#### **4. Summary of Accounting and Financial Reporting Policies**

The principal accounting and financial reporting policies adopted in preparing the consolidated financial statements of the Group are summarized below and in the succeeding pages the policies have been consistently applied to all years presented unless otherwise stated.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the assets or liability and the level of the fair value hierarchy.

#### Financial Assets and Liabilities

##### *Date of recognition*

The Group recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

##### *Initial recognition*

Financial assets and financial liabilities are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by preference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rate of interest for similar instruments with similar maturities. The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction costs.

##### *Determination of fair value*

Fair value is determined by preference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value is determined by using appropriate valuation techniques.

Valuation techniques include net present value model where the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for similar instruments with similar maturities. Other valuation techniques include comparing to similar instruments for which market observable prices exist; recent arm's length market transaction; option pricing model and other relevant valuation models.

#### Financial Assets

The Group determines the classification at initial recognition and, where allowance is appropriate, re-evaluates this designation every reporting date. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Subsequent to initial recognition, the Group classifies its financial assets in the following categories:

- *Financial asset at fair value through profit or loss (FVPL)*  
A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the near term or upon initial recognition, it is designated by the management as at FVPL. Derivatives are also categorized as held at FVPL, except those derivatives designated as effective hedging instruments. Assets classified in this category are carried at fair value in the Group statements of financial position. Changes in the fair value of such assets are accounted for in the Group statements of comprehensive income. Financial instruments held at FVPL are classified as current if they are expected to be realized within 12 months from the end of financial reporting period.

The Group has no financial assets at fair value through profit or loss as of June 30, 2016 and December 31, 2015.

- *Loans and receivables*  
Loans and receivables are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Such assets are carried initially at its cost and at amortized cost after its initial recognition in the Group statements of financial position. Amortization is determined using the effective interest method. Loans and receivables are included in current assets if maturity is within 12 months from the end of financial reporting period. Otherwise, these are classified as non-current assets.

The Group's cash, receivables and due from related parties are included in this category (see Notes 6, 7, and 17).

- *Held-to-maturity investments*  
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities wherein the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at cost or amortized cost in the Group statements of financial position. Amortization is determined by using the effective interest method. Assets under this category are classified as current assets if maturity is within 12 months from the end of financial reporting period and as non-current assets if maturity is more than a year from the end of financial reporting period.

As of June 30, 2016 and December 31, 2015, the Group has no held-to-maturity investments.

- *Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognized as separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the Group statements of comprehensive income.

The fair value of investments that are actively traded in organized financial market is determined by reference to quoted market bid prices at the close of business on the end of financial reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include recent arm's length market transaction, reference to the current market value of another instrument which is substantially the same, discounted cash flows analysis and option pricing models.

The Group's investment in shares of stocks with listed and non-listed companies which the Group does not have significant influence and control are included in this category (see Note 10).

#### Financial Liabilities

- *Financial liability at FVPL*

Financial liabilities are classified in this category if these result from trading activities or derivatives transaction that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category.

As of June 30, 2016 and December 31, 2015, the Group has no financial liabilities at FVPL.

- *Other financial liabilities*

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations (e.g. payables excluding statutory regulated payables, accruals) or borrowing (e.g., long-term debt).

The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

As of June 30, 2016 and December 31, 2015, the Group's trade and other payables, loan payable and due to related parties are included in this category (see Notes 15, 16, and 17).

#### Impairment of Financial Assets

The Group assesses at each end of financial reporting period whether a financial asset or group of financial assets is impaired.

- *Assets carried at amortized cost.* If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the Group statements of comprehensive income.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial asset is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the Group statements of comprehensive income to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

- *Assets carried at cost.* If there is objective evidence that an impairment loss has been incurred in an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.
- *Available-for-Sale Financial Assets.* If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the Group statements of comprehensive income, is transferred from equity to the statements of comprehensive income. Reversals in respect of equity instruments classified as available-for-sale financial assets are not recognized in the statements of comprehensive income. For available-for-sale financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale financial assets, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the Group statements of comprehensive income, is removed from equity and recognized in the Group statements of comprehensive income. Impairment losses on equity investments are not reversed through the statements of comprehensive income; increases in their fair value after impairment are recognized directly in equity.

#### Derecognition of Financial Assets and Liabilities

##### *Financial Assets*

A financial asset is derecognized when (1) the rights to receive cash flows from the financial instruments expire, (2) the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement, or (3) the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows of an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of an asset nor transferred control of the assets, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

#### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where the existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in Group statements of comprehensive income.

A financial instrument is classified as debt if it provides for a contractual obligation to: (a) deliver cash or another financial asset to another entity; or (b) exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or (c) satisfy the obligation other than by exchange of a fixed amount of cash or other financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

#### Classification of Financial Instrument between Debt and Equity

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest relating to a financial instrument or a component that is a financial liability is reported as expenses.

A financial instrument is classified as debt if it provides for a contractual obligation to: (a) deliver cash or another financial asset to another entity; or (b) exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or (c) satisfy the obligation other than by exchange of a fixed amount of cash or other financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Group statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the Group statements of financial position.

#### Cash

Cash is stated at face value and includes cash on hand and cash in banks.



#### Advances to Officers and Employees

Advances to officers and employees for business expenses that are yet to be received such as purchases of goods and services subject to liquidation are recognized at the actual cash amount advanced to employees, less any impairment. These are subsequently applied to the related assets, costs or expenses incurred.

#### Deposit for Land Acquisition and Other Current Assets

This account comprises the following:

- Deposit for land acquisition. Deposit for land acquisition mainly represents usufruct rights over a property and is stated at cost, less impairment losses, if any.
- Input Tax. Input tax is recognized when the Group purchases goods or services from a Value Added Tax (VAT)-registered supplier. This account is offset, on a per entity basis, against any output tax previously recognized.
- Materials and supplies. Materials and supplies are stated at cost less any allowance for obsolescence. Cost is determined by the first-in, first-out method. Inventories are classified as current when they are expected to be realized within the normal operating cycle. Supplies inventory is presented under "Other current assets" in the statements of financial position.

Other current assets that are expected to be realized for no more than 12 months after the reporting period are classified as current asset. Otherwise, these are classified as other noncurrent asset. Other current assets are stated at their realizable value (cost less impairment).

#### Investment in an Associates

Investment in shares of stock where the Group holds 20% or more ownership, or where it has the ability to significantly influence the investee company's operating activities is accounted for under the equity method. Under the equity method, the cost of the investment is increased or decreased by the Group's equity in net earnings or losses of the investee company since the date of acquisition.

#### Asset Held-for-Sale

Asset classified as held-for-sale includes properties that the Group intends to sell to a third party. These are measured at the lower of carrying amounts of assets, immediately prior to their classification as held for sale and their fair value less costs to sell.

#### Advances for a Waste Recycling Project

Advances for waste recycling project is stated at cost less any impairment. This includes cost of machinery and equipment and other direct costs for the construction of a waste recycling machinery and equipment. The asset is not depreciated until such time as the relevant assets are completed and put into operational use.

#### Property and Equipment

The initial cost of property and equipment comprises its purchase price or construction cost and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenses incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives of the assets follow:

<u>Category</u>	<u>Estimated useful life</u>
Transportation equipment and others	5 years
Furniture, fixture and equipment	5 years

The estimated recoverable reserves, useful lives and depreciation methods are reviewed periodically to ensure the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Group statements of comprehensive income in the year the asset is derecognized. Transfers to or from property and equipment are measured at carrying value of the assets transferred.

#### Investment Property

Investment property mainly pertains to properties held for capital appreciation. These are initially recorded at cost, including transaction cost. The carrying amount includes the cost of replacing part of an existing property at the time the costs are incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of investment property. Subsequent to initial recognition, investment property is carried at cost less any impairment in value.

Investment property is derecognized when disposed of or when the investment property is permanently withdrawn from use and there is no future economic benefit expected to arise from the continued use of the properties. Any gain or loss on the retirement or disposal of said properties are recognized in the consolidated statements of income in the year of retirement or disposal. Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by: (a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property; (b) commencement of development with a view to sale, for a transfer from investment property to inventories; (c) end of owner occupation, for a transfer from owner-occupied property to investment property; or, (d) commencement of an operating lease to another party, for a transfer from inventories to investment property. Transfers to or from investment properties are measured at the carrying value of the assets transferred.

#### Impairment of Nonfinancial Assets

The carrying values of assets such as deposit for land acquisition, other current assets, investment in associates, property and equipment and investment property are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts.

The recoverable amount of the asset is the greater of net selling price or value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is charged to operations in the period in which it arises unless the asset is carried at a revalued amount in which case the impairment is charged to the revaluation increment of the said asset.

An assessment is made at each end of financial reporting period to determine whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### Equity

- *Capital stock* is determined using the nominal value of shares that have been issued.
- *Additional paid-in capital* includes any premiums received on the initial issuance of capital stocks. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.
- *Net unrealized loss* on available-for-sale investment accounts for the excess of the carrying amounts over the fair market value of these investments. When fluctuation is deemed permanent, the gain or loss resulting from such fluctuation will be reversed and charged to Group consolidated statements of income in the year that the permanent fluctuation is determined.
- *Retained earnings (deficit)* include all current and prior period results of operations as disclosed in the Group consolidated statements of comprehensive income.

#### Deposit for Future Stocks Subscription

Deposit for future stocks subscription represents funds received by the Group from existing and potential stockholders to be applied as payment for subscriptions of unissued shares or shares from an increase in authorized capital stock.

Proceeds are recognized as equity when all of the requirements set forth by the SEC have been met, otherwise, it is recognized as a liability.

An entity shall classify deposit for stock subscription as part of equity if and only if, all of the following elements are present as at the end of the period:

- The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
- There is BOD approval on the proposed increase in authorized capital stock;
- There is stockholders' approval of said proposed increase; and
- The application for the approval of the proposed increase has been filed with the SEC.

#### Earnings (Loss) per share

Earnings (loss) per share (EPS) is determined by dividing net income (loss) by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends declared.

#### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits associated with the transactions will flow to the Group and the amount of revenue, related cost incurred or to be incurred/cost to complete the transactions can be measured reliably. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue is measured at the fair value of the consideration received or receivable taking into account any trade discounts, prompt settlement of discounts and volume rebates allowed by the Group, if any. Revenue recognized excludes any value added taxes. The following specific recognition criteria must also be met before revenue is recognized:

- *Interest income.* Interest income is recognized as the interest accrues, taking into account the effective yield on the asset. Interest income from bank deposits is recognized on a time proportion basis on the principal outstanding and at the rate applicable.
- *Realized gains and losses.* Realized gains and losses are recognized when the sale transaction occurs.
- *Other income.* Revenue is recognized as other income accrues.

#### Cost and Expense Recognition

Expenses are recognized in the Group's consolidated statements of comprehensive income upon utilization of the service or at the date they are incurred.

Expenses are recognized in the Group consolidated statements of comprehensive income upon utilization of the assets or services or at the date they are incurred.

#### VAT

Revenues, expenses and assets are recognized, net of the amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

The net amount of VAT recoverable from or payable to the taxation authority is presented separately as asset in the consolidated statements of financial position.

#### Short-term benefits

Short-term employee benefits are recognized as expense in the period when the economic benefits are given. Unpaid benefits at the end of the financial reporting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments. Short-term benefits given by the Group to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

#### Foreign Currency Transactions and Translation

The Group financial statements are presented in Philippine Pesos, which is the Group's functional and presentation currency. Items included in the Group financial statements are measured using the functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange as of the financial reporting date.

Gains or losses arising from these transactions and translations are recognized in the Group statements of comprehensive income. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### Income Tax

Income taxes represent the sum of the tax currently due and deferred tax.

The tax currently due or recoverable from tax authorities is based on taxable income for the year. Taxable income differs from income as reported in the Group consolidated statements of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted at the end of financial reporting period.

Deferred tax is provided, using the balance sheet liability method. Deferred tax assets and liabilities are recognized for future tax consequence attributable to differences between the financial reporting bases of assets and liabilities and their related tax bases and carryforward benefits of minimum corporate income tax (MCIT). Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets and liabilities are measured using the tax rate that is expected to apply to the period when the asset is realized or the liability is settled.

The carrying amount of deferred tax assets is reviewed at each end of financial reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

#### Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the company and its related parties, regardless whether a price is charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the company; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

#### Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as a financial expense.

#### Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefit is probable.

#### Events After End of Financial Reporting Period

Post year-end events that provide additional information about the Group's position at the end of financial reporting period, if any, are reflected in the financial statements. However, post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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### 5. **Significant Accounting Judgments and Estimates**

The preparation of the Group's consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of date of the consolidated financial statements. Actual results could differ from such estimates, and such estimates will be adjusted accordingly.

The following is a summary of these significant estimates and judgments and the related impact and associated risks on the consolidated financial statements.

#### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

- *Assessment of Going Concern*

Management has made an assessment of the Group's ability to continue as going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

- *Determination of Control*

The Group determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the equity. The Group controls an entity if and only if the Group has all of the following:

- a. Power over the entity;
- b. Exposure, or rights, to variable returns from its involvement with the entity; and,
- c. The ability to use its power over the entity to affect the amount of the Group's returns.
- d. The Group regularly reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. The Group determined that it exercises control on all of its subsidiaries as it has all the elements of control listed above.

- *Determination of Functional Currency*

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the sale of real properties, services, and investments and the costs of providing the services and of the sold investments.

- *Classification of Financial Instruments*

The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of the financial instrument, rather than its legal form, governs its classification in the Group consolidated statements of financial position.

- *Determination of Fair Value of Financial Instruments*

The Group carries certain instruments at fair value and discloses also the fair values of financial instruments, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any changes in fair value of these financial assets and liabilities would affect profit or loss and equity.

The summary of the carrying values and fair values of the Group's financial instruments as of June 30, 2016 and December 31, 2015 is shown in Note 23.

- *Distinction Between Investment Property and Owner-Occupied Property*

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the supply process.

Some properties are held to earn rentals or for capital appreciation and other properties are held for use in rendering of services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in providing services or for administrative purposes.

Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property in making its judgment.

#### Estimates

The key assumptions concerning the future and other key sources of estimation at the reporting date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

- *Estimation of Allowance for Impairment of Financial Assets*

Recoverability of specific receivables including amounts due from related parties is evaluated based on best available facts and circumstances, the length of the Group's relationship with its debtors, the debtors' payment behavior and known market factors. These specific reserves are re-evaluated and adjusted as additional information received affects the amount estimated to be uncollectible. Any increase in allowance would increase operating expenses and decrease related accounts.

The Group's allowance for impairment amounted to nil and ₱49.9 million as at June 30, 2016 and December 31, 2015, respectively, (see Notes 7 and 17). Accounts written off amounted to nil in 2016 and ₱16.9 million in 2015 (see Notes 7 and 17).

- *Estimation of Impairment of AFS Investments*

The computation for the impairment of AFS investments requires an estimation of the present value of the expected future cash flows and the selection of an appropriate discount rate. An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment. In making this judgment, the Group evaluates the financial health of the issuer, among others. In the case of available-for-sale equity investments, the Group expands its analysis to consider changes in the issuer's industry and sector performance, legal and regulatory framework, changes in technology, and other factors that affect the recoverability of the Group's investment.

The carrying values of AFS investments both amounted ₱370,000 as of June 30, 2016 and December 31, 2015, respectively. Accounts written off amounted to nil in 2016 and 2015 (see Note 10).

- *Estimation of Useful Lives of Property and Equipment*

The useful life of each of the Group's property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets.

The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction on the estimated useful life of any property and equipment would increase the recorded operating expenses and decrease noncurrent assets. Any reduction in the estimated useful lives of property and equipment would increase the Group's recorded operating expenses and decrease on the related asset accounts.

As of June 30, 2016 and December 31, 2015, the carrying value of the Group's depreciable property and equipment amounted to ₱1.5 million and ₱1.6 million, respectively (see Note 13).



- *Estimation of Impairment of Nonfinancial Assets*

The Group reviews deposit for land acquisition and other current assets, investment in associates, property and equipment and investment property for impairment of value. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, plans in the real estate projects, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the net selling price and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that may affect deposit for land acquisition and other assets, investment in associates, property and equipment and investment property.

The Group's allowance for impairment loss for nonfinancial assets amounted to nil and ₱236.0 million as at June 30, 2016 and December 31, 2015, respectively (see Notes 9 and 12). Accounts written off amounted to nil and ₱0.1 million in 2016 and 2015 (see Notes 9 and 11).

- *Estimation of Deferred Tax Assets and Deferred Tax Liabilities*

Significant judgment is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

No deferred tax asset was recognized for allowance for impairment and for NOLCO and MCIT as management believes that these could not be utilized prior to its expiration.

- *Estimation of Provisions for Contingencies*

The Group is a party to certain lawsuits involving recoveries of sum of money arising from the ordinary course of business.

The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. These are recognized in the books only when the claims are finally settled or when judgment is rendered.

The Group has no provisions as of June 30, 2016 and December 31, 2015.

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## 6. Cash

This account consists of:

	<b>2016</b>	2015
Cash in banks	<b>₱1,649,480</b>	₱1,650,178
Cash on hand	-	-
	<b>₱1,649,480</b>	<b>₱1,650,178</b>

Cash in banks pertain to savings and current accounts that generally earn interest based on prevailing respective bank deposit rates of less than 1% annually. Interest income on cash in banks recognized in the Group statements of comprehensive income amounted to ₱2,302 in 2016, ₱2,100 in 2015.

In May 2015, the Court of Appeals has ordered the freezing of three (3) bank accounts of the Group. As of December 31, 2014, the freeze order of these accounts has been lifted. However, the 3 bank accounts with a total deposit of ₱632,795 were subsequently included in the civil forfeiture case docketed as AMLC Case No. 15-007-53 pending with the Regional Trial Court of Manila, Branch 53 (see Note 27).

## 7. Receivables – Net

This account consists of:

	2016	2015
Nontrade receivables	<b>₱260,796,340</b>	₱260,796,340
Advances to officers and employees	<b>405,220</b>	405,220
Loan receivable	-	-
Advances to projects	-	-
Other advances	<b>168,541</b>	183,504
	<b>261,370,101</b>	261,385,064
Allowance for impairment loss	<b>(10,194,828)</b>	(10,194,828)
	<b>₱251,175,273</b>	₱251,190,236

In December 29, 2014, ThomasLlyod Cleantech Infrastructure Fund GMBH (TLCIF) assigns its payable to GHI amounting to ₱250,142,630 to Zhong Shan Fu Chang Ltd (ZSFCL) subject to the consent of GHI and the following terms and conditions (see Note 17):

- a. ZSFCL shall pay the TLCIF receivable on or before December 31, 2016 in cash or non-cash assets acceptable to GHI; and
- b. If the TLCIF receivable will be paid with non-cash assets, the appraised value thereof shall be determined by an independent appraiser mutually acceptable to ZSFCL and GHI.

In 2015, GHI agreed to the assignment of receivables to ZSFCL.

Nontrade receivables include amount due from Lodestar Investment Holding, Inc. (LIHC) amounting to ₱10.2 million as of December 31, 2015 and 2014. An allowance for impairment loss was provided amounting to nil and ₱10.2 million as of June 30, 2016 and December 31, 2015.

Loan receivable pertains to a 5-year interest-bearing loan granted by the Group to its employees and BOD (Eligible Members) for the purchase of the issued shares of the Parent Company. The shares to be acquired by the Eligible Members will be held as collateral for the loan and will only be released to them after the loan is repaid. The Group provided a full allowance for impairment as it believes that these receivables are not recoverable. In 2015, the management believes that the loan receivable is fully impaired and decided to write off the whole amount. Loan receivable amounting to ₱8,023,363 was written off in 2015.

Advances to officers and employees are noninterest-bearing and will be realized twelve months after the reporting period. These advances are made for various business related expense which are subject to liquidation on demand. Advances to officers and employees amounting to ₱96,089 assessed by management as no longer recoverable, was written off in 2014.

Advances to projects pertains to deposits made by the Parent Company to Tianjin Tianbao Investment and Development Corporation amounting to ₱7.1 million. In 2013, the project did not push through and the management considered the whole advances as fully impaired and an allowance for impairment was set up in full. In 2015, the management believes that the advances to projects is fully impaired and decided to write off the whole amount. Advances to projects amounting to ₱7,133,333 was written off in 2015.

Other advances include funds advanced to the Parent Company's lawyer which will be charged to expense upon utilization and SREDC's receivable from SSS.

Also in 2014, SREDC carefully assessed that receivables from third parties amounting to ₱159,034 as at December 31, 2013 can no longer be collected and recovered and were written off accordingly.

The movement of allowance for impairment losses in 2016 and 2015 is shown below:

	<b>2016</b>	2015
Balance at beginning of year	<b>₱10,195,028</b>	₱25,351,724
Accounts written off	-	(15,156,696)
	<b>₱10,195,028</b>	₱10,195,028

None of the Group's receivables were used as pledged in the Group's loan payables.

The Group reclassified advances to a stockholder amounting to ₱59,258,344 previously presented in 2013 under receivables to due from related parties account to conform to the 2014 presentation (see Note 17).

## **8. Deposit for Land Acquisition**

On January 18, 2013, the Group, through SREDC, entered into an agreement (the "Agreement") with Mr. Laureano R. Gregorio Jr. ("Mr. Gregorio"), a third party, for the transfer of all the rights, titles and interest over a 150-hectare land in Rosario, Batangas, where a planned project for a self-sustaining agri-tourism park (the "Park") will be located. The initial total consideration was ₱400.0 million to be paid in cash or listed shares in the PSE to be agreed upon by both parties based on the deliverables of Mr. Gregorio. The consideration shall be adjusted depending on the fair market value of the Park as may be determined by a mutually acceptable appraisal company.

A partial payment consisting of ₱6.0 million paid on January 28, 2013 and ₱5.0 million on July 2, 2014, recognized as deposit for land acquisition, was made. Pending the delivery of the documents and titles evidencing the real and enforceable rights over the Park which shall be delivered within two years from the date of agreement, SREDC was granted usufructuary rights over the property. The parties may, however, agree to extend the period as the circumstances may warrant.

The fair value of the Park as of February 8, 2013 is ₱446.1 million which is based on the appraised value made by an independent appraiser as stated in its appraisal report dated February 20, 2013. The details of the appraised value are as follow:

Land (150 hectares at ₱1.8 million per hectare or ₱180 per square meter)	₱270,000,000
Buildings	75,823,000
Other land improvements	100,250,000
	₱446,073,000

As stated in the agreement, the initial total consideration of ₱400.0 million was changed to the appraised value of ₱446.1 million.

On February 16, 2013, the Board of SREDC approved the proposed budget for the development of the Park, which includes the construction and operation of at most thirty (30) greenhouses for high value crops in 2015 and 2014, eight-hectare asparagus farm in 2014 and 12-hectare asparagus farm for 2015. In connection with this, the Board approved to advance ₱200.0 million to one of its stockholders to be adjusted as may be deemed appropriate.

The advances made by SREDC to its stockholder totaling ₱448.2 million in 2014 were made subject to liquidation for the following purposes (see Note 17):

- a. To cover the post-dated checks issued by the stockholder as payment to Mr. Gregorio for the Park pursuant to the Agreement.
- b. To pay for the improvements that will be acquired and introduced on the Park.
- c. To pay for the day-to-day operations of the Park.

In 2015, the stockholder paid for the improvements made in the Park including the construction of additional 30 greenhouses with estimated cost of ₱10.5 million which will be liquidated upon completion of the project.

On December 10, 2014, the Agreement between Mr. Gregorio and SREDC was extended for another three years or until January 17, 2018 to allow Mr. Gregorio to meet the conditions of the Agreement. Moreover, the parties agreed to defer the encashment of the post-dated checks issued as payment for the Park.

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## 9. Other Current Assets

This account consists of:

	<b>2016</b>	2015
Materials and supplies	<b>₱3,653,297</b>	₱2,580,456
Input VAT	<b>1,599,966</b>	1,599,966
Deposit to supplier	<b>106,858</b>	99,168
Prepaid tax	<b>10,810</b>	10,349
	<b>5,370,931</b>	4,289,939
Allowance for impairment loss	<b>(965,164)</b>	(965,164)
	<b>₱4,405,767</b>	₱3,324,775

Materials and supplies include bird feeds like banana, sweet potato and apple. Materials and supplies amounting to ₱101,930 which the management assessed as no longer recoverable, was written off in 2015.

Allowance for impairment loss is provided for the input VAT.

The movement of provision for impairment losses in 2016 and 2015 were shown below:

	<b>2016</b>	2015
Balance at beginning of year	<b>₱965,164</b>	₱943,338
Provision during the year	-	21,826
	<b>₱965,164</b>	₱965,164

#### 10. Available-for-Sale Investments

This account consists of:

	<b>2016</b>	2015
Quoted equity investments	<b>₱370,000</b>	₱370,000

The movement of the AFS investments as at June 30, 2016 and December 31, 2015 are as follows:

	Note	<b>2016</b>	2015
Balance at beginning of year		<b>₱370,000</b>	₱490,000
Gain (loss) on fair value during the year		-	(120,000)
Additions during the year		-	-
Reclassification to investment in associates	11	-	-
Written off during the year		-	-
Balance at end of year		<b>₱370,000</b>	₱370,000

The movement in fair value loss on AFS investment is as follows:

	<b>2016</b>	2015
Balance at beginning of year	<b>₱630,000</b>	₱510,000
Change in fair value during the year	-	120,000
Reclassification to profit or loss	-	-
Balance at end of year	<b>₱630,000</b>	₱630,000

#### ANI

On July 2, 2014, GHI acquired 60,902,450 secondary common shares through the open market for an aggregate consideration of ₱255,000,000 inclusive of taxes, fees and commission or ₱4.19 per share. The acquisition is equivalent to 9.67% of the total issued and outstanding shares of ANI.

On July 3, 2014, GHI subscribed additional 85,990,533 common shares at the issue price of ₱3 per share or a total subscription price of ₱257,971,599 payables in full upon execution of the subscription agreement. The acquisition is equivalent to 13.8% of the total issued and outstanding shares of ANI. After the additional subscription, the Parent Company holds a total ownership of 25.92%. Accordingly, the AFS investment in ANI at fair value as of July 3, 2014 was reclassified to investment in associate (see Note 11).

*GHI*

In 2014, the Company acquired 176.0 million shares at ₱1.0 per share of GHI's shares. On August 6, 2014, the Company sold its shares in GHI amounting to ₱176.0 million equivalent to 176.0 million shares at ₱1.0 per share as duly disclosed in the PSE.

*GHTCL*

In 2013, WGVI acquired 15% equity interest in GHTCL for ₱22.5 million.

On December 29, 2014, the results of operations of GHTCL was presented to the BOD relative to the project of manufacturing spray and seal tire and sealant kit. In the report, GHTCL incurred a net loss of ₱97.5M which caused the project to be discontinued and the equipment be classified as held for sale in the near future. After the discussion, it was carefully assessed by the management of the Company that the investment can no longer be recovered. Consequently, the BOD approved the write off of the investment.

As of June 30, 2016 and December 31, 2015, the Group's outstanding AFS investment both amounted to ₱370,000, respectively.

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**11. Investment in Associates**

This account pertains to investment in ANI both amounting to ₱322,807,351 and ₱321,347,141 as of June 30, 2016 and December 31, 2015, respectively.

On July 3, 2014, the Group, upon acquisition by GHI of additional shares, reclassified its AFS investment in ANI to investment in associate amounting to ₱705,726,142 (see Note 10).

On July 7, 2014, GHI acquired 27,000,000 common shares of ANI through open market for an aggregate consideration of ₱113,744,736 inclusive of taxes, fees and commission at ₱4.21 per share. The acquisition is equivalent to 4.34% of the total issued and outstanding shares of ANI.

After the transactions, the Group holds a total of 30.26% of the total issued and outstanding shares of ANI.

As of June 30, 2016 and December 31, 2015 and 2014, the market value of investment in ANI amounted to ₱703,586,341 and ₱889,829,784 based on the price per share amounting to ₱3.74 and ₱4.73, respectively. As of reporting date, the market value of investment in ANI amounted to ₱731,805,044 at a price per share of ₱3.89.

Rollforward analysis of the carrying value of the investments in associates follows:

	Note	2016	2015
Beginning balance		<b>₱321,347,141</b>	₱474,834,629
Equity in net loss of an associate		<b>2,112,669</b>	(135,710,242)
Equity in other comprehensive income of an associate		-	(17,777,246)
		<b>₱323,459,810</b>	₱321,347,141

Summarized financial information of ANI follows:

	<b>2016</b>	2015
Current assets	<b>1,029,167,950</b>	1,073,091,626
Noncurrent assets	<b>1,783,417,236</b>	1,813,047,193
Current liabilities	<b>1,771,077,958</b>	1,847,501,057
Noncurrent liabilities	<b>326,933,981</b>	326,933,981
Net assets	<b>714,573,247</b>	711,703,781
Revenue	<b>360,415,690</b>	2,337,615,990
Net income (loss)	<b>6,981,722</b>	(437,824,211)
Other comprehensive income (loss)	-	(54,788,757)

### 12. Advances for Waste Recycling Project

Advances for waste recycling project amounting to ₱235,008,036 as of December 31, 2013, represents the Company's machineries, equipment and steel structures for the construction of a waste recycling machinery equipment which will function as a wet process recovery system for solid waste. As of October 5, 2016, the Company has not started the assembly and installation of the parts as it is still finalizing the arrangement for the site where the project will be located. As of April 20, 2015, the appraised market value of the facility amounted to ₱113,759,000. The management believes however, that the appraised market value of the facility may no longer be recoverable. Consequently, a full provision for impairment loss was made in 2014.

### 13. Property and Equipment – Net

The rollforward analysis of this account is shown below:

	<b>2016</b>		
	Transportation equipment and others	Furniture, fixtures and equipment	Total
Cost			
Balance at beginning of year	₱3,799,874	₱227,078	₱4,026,952
Additions	-	-	-
Balance at end of year	3,799,874	227,078	4,026,952
Accumulated depreciation			
Balance at beginning of year	2,312,957	105,449	2,418,406
Depreciation	77,752	67,340	145,092
Balance at end of year	2,390,709	172,789	2,563,498
Net book value	<b>₱1,409,165</b>	<b>₱87,959</b>	<b>₱1,463,454</b>

<b>2015</b>			
	Transportation equipment and others	Furniture, fixtures and equipment	Total
<b>Cost</b>			
Balance at beginning of year	₱3,756,189	₱161,243	₱3,917,432
Additions	43,685	65,835	109,520
Balance at end of year	3,799,874	227,078	4,026,952
<b>Accumulated depreciation</b>			
Balance at beginning of year	1,756,789	74,191	1,830,980
Depreciation	556,168	31,258	587,426
Balance at end of year	2,312,957	105,449	2,418,406
<b>Net book value</b>	<b>₱1,486,917</b>	<b>₱121,629</b>	<b>₱1,608,546</b>

Depreciation expense for the years ended June 30, 2016 and December 31, 2015 are shown as part of general and administrative expenses in the Group statements of comprehensive income (see Note 19).

The Group's management had reviewed the carrying values of the property and equipment as of June 30, 2016 and December 31, 2015 for any impairment. Based on the evaluation, there are no indications that the property and equipment might be impaired.

There are no contractual commitments to purchase property and equipment. There are also no property and equipment that are pledged as securities for liabilities. Further, there is no property whose title is restricted from use of the Group in both periods.

#### 14. Investment Property

This account consists of the following:

Property	Location	Lot	Area	Cost
Land and improvements	Quezon City	1	448 sq. m	₱15,364,581
		2	448 sq. m	
		3	448 sq. m	
		4	448 sq. m	
		5	448 sq. m	
	Batangas		23,234 sq. m	2,091,060
			11,850 sq. m	1,066,500
				<b>₱18,522,141</b>

The cost of parcels of land located in Quezon City which was acquired in 2013 include additional costs incurred in 2014 amounting to ₱378,028. The parcels of land in Batangas amounting to ₱3,157,560 were acquired in 2014.

Lots 1 and 3, was sold in January 2016. Proceeds for the purchase price of the sale amounting to ₱14,544,000 was received in 2015 and presented under trade and other payable (see Note 14). In 2016, this was already reversed.

In 2014, the Company obtained a loan from a local bank totaling ₱50.0 million of which ₱31.6 million is secured by the property located in Quezon City (see Note 16).



The Company's management had reviewed the carrying values of the investment property for any impairment as of June 30, 2016 and December 31, 2015. Based on the evaluation, there are no indications that the property might be impaired.

## 15. Trade and Other Payables

This account consists of:

	Note	2016	2015
Accounts payable		<b>₱16,517,780</b>	₱16,517,780
Deposits from customers	14	-	14,544,000
Accrued expenses		<b>2,042,895</b>	2,042,895
Government payables		<b>189,688</b>	172,488
Others		<b>330,499</b>	330,499
		<b>₱19,080,862</b>	₱33,607,662

Accounts payable are noninterest bearing.

Deposit from customers pertains to cash proceeds received from the buyer of the property in Quezon City (see Note 14).

Accrued expenses include professional fees and penalties.

Government payables are dues and remittances which represents contributions of employees that will be remitted to various government agencies. It also includes taxes withheld from salaries of employees and income payment to suppliers, which will be remitted in the subsequent month.

Other payables include accrual of travel, communication, and other expenses payable upon demand.

## 16. Loan Payable

Loan payable pertains to loan obtained in 2014 from Philtrust Bank amounting to ₱50.0 million which will mature on July 28, 2017 with an interest rate of 6% per annum. The portion of the loan amounting to ₱31.6 million is secured by a parcel of land and the remaining ₱18.4 million is unsecured (see Note 14).

The loan is payable on or before July 28, 2017, in monthly installment of ₱1,670,000 commencing on April 27, 2016, balance at maturity a carrying value of ₱29.9 million with interest payable in advance every thirty days.

In 2015, the Company paid ₱31.3 million of its loan. Interest expense recognized amounted to ₱1.8 million in 2015.

The maturity profile of the loan payable as of June 30, 2016 and December 31, 2015 follows:

	2016	2015
Due within one year	<b>₱15,030,000</b>	₱15,030,000
Due more than one year to five years	<b>3,710,000</b>	3,710,000
	<b>₱18,740,000</b>	₱18,740,000

## 17. Related Party Transactions

The Group enters into transactions with related parties. For financial statements disclosure purposes, an affiliate is an entity under common control of the Parent Company's stockholders.

The following are the details of related party transactions.

- a. The Group availed an extended unsecured noninterest-bearing cash advances from and to its related parties with no definite repayment dates for working capital requirements.
- b. The Group extended noninterest-bearing and unsecured cash advances to one of its stockholder for the acquisition and development of the Park amounting to ₱448.2 million in 2014 (see Notes 1 and 8).
- c. As of June 30, 2016 and December 31, 2015 details and outstanding balances of due to and from related parties follow:

	2016	2015
Due from:		
Stockholders	<b>₱757,135,824</b>	₱764,065,971
Associates	<b>61,503,265</b>	61,336,369
Affiliates	<b>15,500,917</b>	15,020,046
	<b>834,140,006</b>	840,422,386
Allowance for impairment – Associates	<b>(39,717,922)</b>	(39,717,922)
	<b>₱794,422,084</b>	₱800,704,464

	2016	2015
Due to:		
Associates	<b>₱4,426,102</b>	₱4,426,102
Stockholders	<b>795,781</b>	795,781
	<b>₱5,221,883</b>	₱5,221,883

The rollforward analysis of related party accounts follow:

	Note	2016	2015
Due from:			
Balance at beginning of year		<b>₱800,704,464</b>	₱1,077,625,516
Reclassification to receivables	7	-	(250,142,630)
Collections during the year		<b>(6,930,147)</b>	(28,790,324)
Advances made during the year		<b>647,767</b>	3,708,498
Accounts written off		-	(1,696,596)
Provision for impairment loss		-	-
Balance at end of year		<b>₱794,422,084</b>	₱800,704,464

	2016	2015
Due to:		
Balance at beginning of year	<b>₱5,221,883</b>	₱-
Advances received during the year	-	5,221,883
Payments made during the year	-	-
Balance at end of year	<b>₱5,221,883</b>	₱5,221,883

The Group reclassified advances to a stockholder amounting to ₱59,258,344 previously presented in 2013 under receivables to due from related parties account to conform to the 2014 presentation (see Note 7).

Also, the Group offset advances made to a stockholder amounting to ₱34,333,561 as of December 31, 2013 previously presented under due to related parties against due from related parties account to conform to the 2014 presentation as the Group has enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

- d. On July 2, 2014, the Parent Company executed a subscription agreement with Earthright Holdings, Inc. (EHI). Subject to the application and approval of the SEC of the increase in its authorized capital stock to ₱3.0 billion, EHI subscribed ₱250.0 million worth of common shares of which ₱177.0 million shall be paid in cash upon execution of the subscription agreement with the balance due upon approval by the SEC of the increase. EHI also subscribed to ₱37.5 million worth of preferred shares at ₱0.10 per share. Full payment was received upon execution of the subscription agreement.

The deposit will be converted to equity once proper documentation and approval from the SEC have been obtained. As of October 28, 2016, the Parent Company has not filed its application for the increase with the SEC.

- e. The summary of the Group's related party transactions follows:

<b>2016</b>				
Category	Amount/Volume	Outstanding Balance - Asset (Liability)	Terms and Condition/ Settlement	Guaranty/ Settlement /Provision
<i><u>Stockholders</u></i>				
1. Due from		₱757,135,824	No definite repayment	No significant
• Reclassification			dates; collectible in cash	warranties and
to receivables			on demand and	covenants; no
(Note 7)	(₱250,142,630)		noninterest-bearing	impairment
• Collections	(6,930,147)			
2. Due to		-	No definite repayment	Unsecured; no
• Advances			dates; collectible in cash	significant warranties
received	647,767		on demand and	and covenants
			noninterest-bearing	
3. Deposit for future			To be converted into	Unsecured; no
stocks subscription		(177,000,000)	equity upon approval of	significant warranties
• Deposits			SEC; noninterest-bearing	and covenants
received	-			

(Forward)

(Carryforward)

<b>2016</b>				
Category	Amount/Volume	Outstanding Balance - Asset (Liability)	Terms and Condition/ Settlement	Guaranty/ Settlement /Provision
<u>Associates</u>				
4. Due from-net		₱61,503,265		
• Advances made	₱166,896		No definite repayment dates; collectible in cash on demand and noninterest-bearing	No significant warranties and covenants; no impairment
5. Due to		-		
• Advances received	-		No definite repayment dates; collectible in cash on demand and noninterest-bearing	Unsecured; no significant warranties and covenants
<u>Affiliates</u>				
6. Due from		15,500,917		
• Accounts written off	-		No definite repayment dates; collectible in cash on demand and noninterest-bearing	No significant warranties and covenants; no impairment
• Collections	-			
• Advances made	480,871			
<b>2015</b>				
Category	Amount/Volume	Outstanding Balance - Asset (Liability)	Terms and Condition/ Settlement	Guaranty/ Settlement /Provision
<u>Stockholders</u>				
7. Due from		₱764,065,971		
• Reclassification to receivables (Note 7)	(₱250,142,630)		No definite repayment dates; collectible in cash on demand and noninterest-bearing	No significant warranties and covenants; no impairment
• Collections	(28,694,665)			
• Advances made	80,014			
8. Due to		(795,781)		
• Advances received	795,781		No definite repayment dates; collectible in cash on demand and noninterest-bearing	Unsecured; no significant warranties and covenants
9. Deposit for future stocks subscription		(177,000,000)		
• Deposits received	-		To be converted into equity upon approval of SEC; noninterest-bearing	Unsecured; no significant warranties and covenants

(Forward)

(Carryforward)

		<b>2015</b>		
Category	Amount/Volume	Outstanding Balance - Asset (Liability)	Terms and Condition/ Settlement	Guaranty/ Settlement /Provision
<u>Associates</u>				
10. Due from-net		₱21,618,447	No definite repayment	No significant
• Advances made	₱3,616,850		dates; collectible in cash	warranties and
			on demand and	covenants; no
			noninterest-bearing	impairment
11. Due to		(4,426,102)	No definite repayment	Unsecured; no
• Advances			dates; collectible in cash	significant warranties
received	4,426,102		on demand and	and covenants
			noninterest-bearing	
<u>Affiliates</u>				
12. Due from		15,020,046	No definite repayment	No significant
• Accounts			dates; collectible in cash	warranties and
written off	(1,696,596)		on demand and	covenants; no
• Collections	(95,660)		noninterest-bearing	impairment
• Advances made	11,634			

- f. Compensation paid to key management personnel for the years then ended June 30, 2016 and December 31, 2015 amounted to ₱452,126 and ₱2, 064,817, respectively.

## 18. Equity

### Capital Stock

On March 8, 2012, the SEC approved the increase in authorized capital stock from ₱1.0 billion divided into 100 billion shares with a ₱0.01 par value per share to ₱2.0 billion divided into 200.0 billion shares with a ₱0.01 par value per share.

On June 27, 2013, the BOD approved the restructuring of the authorized capital stock from 200.0 billion shares at ₱0.01 per share to 2.9 billion divided into 1.9 billion common shares at ₱1.0 par value per share and 1.0 billion preferred shares at ₱0.10 par value per share. The BOD likewise approved the conversion of ₱62.5 million worth of issued common shares to EHI into 625.0 million preferred shares with a par value of ₱0.10 per share. This was approved by SEC on September 11, 2014.

Further in July 2, 2014, the Parent Company issued additional 375.0 million preferred shares to EHI for ₱37.5 million at ₱0.10 par value per share.

The movement in the Group's common capital stock is shown below:

	<b>2016</b>	2015
Balance at beginning of year	<b>₱1,800,778,568</b>	₱1,800,778,565
Issuances and subscriptions of shares	-	3
Converted to preferred shares	-	-
Balance at end of year	<b>₱1,800,778,568</b>	₱1,800,778,568

The movement in the Group's preferred capital stock is shown below

	<b>2016</b>	2015
Balance at beginning of year	<b>₱100,000,000</b>	₱100,000,000
Converted from common shares	-	-
Issuances of shares	-	-
<b>Balance at end of year</b>	<b>₱100,000,000</b>	<b>₱100,000,000</b>

The rollforward analysis of the subscription receivable account from common capital stock is shown below:

	<b>2016</b>	2015
Balance at beginning of year	<b>₱97,500,000</b>	₱97,500,000
Collections during the year	-	-
<b>Balance at end of year</b>	<b>₱97,500,000</b>	<b>₱97,500,000</b>

In 2014, movement in subscription receivable balance pertains to payment made for the amount due to the Group.

The following summarizes the information on the Group's registration of securities under the Securities Regulation Code:

Date of SEC Approval	Authorized Shares
September 11, 2014	2,000,000,000
March 8, 2012	200,000,000,000
June 22, 2011	100,000,000,000
October 15, 2009	5,000,000,000
June 24, 2008	2,450,000,000
December 28, 2007	1,120,000,000
September 7, 2007	160,000,000

The total number of shareholders of the Company is both 1,026 as at June 30, 2016 and December 31, 2015, respectively.

The principal market for the Group's capital stock is the PSE. The high and low trading prices of the Group's shares are as follows:

Quarter	High	Low
<b>January 2016 to December 2016</b>		
First	₱0.37	₱0.37
Second	0.37	0.37
Third	-	-
Fourth	-	-
<b>Quarter</b>		
<b>High</b>		
<b>Low</b>		
<b>January 2015 to December 2015</b>		
First	₱0.47	₱0.46
Second	0.40	0.35
Third	0.37	0.37
Fourth	0.37	0.37

Under an Investment Agreement dated August 15, 2012 with TLCIF, the latter subscribed to 20,776,856,000 primary shares of the Parent Company at an issue price of ₱0.02 per share, equivalent to ₱415,537,300, and the Parent Company issued two (2) Warrant 13 Certificates

under the American call option covering 10,489,500,000 shares with a strike price of ₱0.02 per share and 10,489,500,000 shares of the Parent Company with a strike price of ₱0.03 per share, exercisable within 1 year and 3 years from issuance, respectively. The Parent Company may also issue stock warrants that would allow subscription of up to 8,123,999,500 shares of the Parent Company from its unissued authorized capital stock. The additional warrants shall contain the same terms and conditions as the warrants issued to TLCIF. The first warrant 13 certificates were not exercised in 2013. The second warrant was not exercised in 2015.

On November 15, 2012, the stockholders approved the issuance and listing of warrants in favor of the Parent Company's officers and directors under such terms and conditions to be determined by the BOD.

On May 13, 2015, Parent Company requested for a voluntary suspension in the trading of its securities in PSE (see Note 27).

#### 19. General and Administrative Expenses

This account consists of:

	Notes	2016	2015
Contractual services		<b>₱2,916,645</b>	₱2,523,336
Utilities		<b>1,397,578</b>	1,156,578
Salaries and employee benefit		<b>360,579</b>	1,589,601
Office supplies		<b>304,853</b>	88,863
Fuel and oil		<b>152,022</b>	215,949
Depreciation	13	<b>145,092</b>	318,976
Representation and entertainment		<b>72,523</b>	109,475
Repairs and maintenance		<b>48,680</b>	492,240
Professional fee		-	1,164,935
Stock transfer and listing cost		-	283,034
Taxes and licenses		-	14,098
Penalties and charges		-	167,044
Transportation and travel		-	79,555
Others		<b>13,671</b>	79,976
		<b>₱5,411,643</b>	<b>₱8,283,660</b>

Others includes training and seminars, bank charges, insurance, separation pay, research and development and office expenses.

## 20. Income Taxes

- a. The current income tax expense in 2015 and 2014 pertains to minimum corporate income tax.
- b. The reconciliation between the income tax expense computed at the statutory tax rate and the income tax shown in statements of comprehensive income follows:

	Note	2015	2014	2013
Income tax expense computed at statutory tax rate		<b>(₱45,967,898)</b>	(₱215,489,545)	(₱3,987,212)
Income tax effects of:				
Equity in net loss associate	11	<b>40,713,073</b>	105,710,248	202,800
Unrecognized deferred tax asset		<b>4,091,833</b>	4,522,943	4,073,025
Nondeductible expenses		<b>1,165,417</b>	124,127,820	82,646
Interest income subjected to final tax	6	<b>(2,425)</b>	(2,081)	(378,214)
Gain on reclassification of AFS investment to investment in associates	10	-	(18,869,385)	-
Unrecognized DTA on MCIT		<b>232</b>	266	1,897
		<b>₱232</b>	₱266	(₱5,058)

- c. The Group has NOLCO which can be claimed as deduction against future taxable income for the next three years as follows:

Year	Amount	Expired	Ending Balance	Year of Expiry
2015	₱13,639,444	₱-	₱13,639,444	2018
2014	15,076,476	-	15,076,476	2017
2013	6,443,216	-	6,443,216	2016
2012	18,924,429	18,924,429	-	2015
	<b>₱54,083,565</b>	<b>₱18,924,429</b>	<b>₱35,159,136</b>	

- d. The carryforward benefits of excess MCIT can be claimed as deduction from regular corporate income tax for the next three (3) years as follows:

Year	Amount	Expired	Ending Balance	Year of Expiry
2015	₱232	₱-	₱232	2018
2014	266	-	266	2017
2013	1,897	-	1,897	2016
2012	17,468	17,468	-	2015
	<b>₱19,863</b>	<b>₱17,468</b>	<b>₱2,395</b>	

- e. RA No. 9504 that was enacted in 2008 amended various provisions in the existing 1997 National Internal Revenue Code among the forms introduced by the said RA was the option granted to corporation to avail of the optional standard deduction at 40% of gross income in lieu of the itemized deduction scheme.

The Parent Company opted for the itemized deduction scheme for its income tax reporting in 2016 and 2015.



## 21. Loss per Share

### Basic loss per share

	2016	2015
Net loss attributable to the equity holders of the Parent Company	<b>(₱1,415,753)</b>	(₱18,800,612)
Issued and subscribed common shares at beginning of year	<b>1,800,778,568</b>	1,800,778,565
Effect of issuance and subscription of common shares	-	-
Effect of conversion of common stocks to preferred stocks	-	-
Divided by weighted average number of common shares	<b>1,800,778,568</b>	1,800,778,565
Basic loss per share	<b>(₱0.01)</b>	(₱0.01)

The Group has no dilutive shares as of June 30, 2016 and December 31, 2015.

## 22. Non-controlling Interest

Noncontrolling interests represents the equity in subsidiaries not attributable directly or indirectly to the Parent Company. The details of the account are as follows:

	2016			
	Balance at beginning of year	Net loss for the year	Other comprehensive loss for the year	Balance at end of year
SREDC	₱256,453,937	(₱1,880,919)	₱-	₱254,573,018
TWMRSI	(114,355,440)	-	-	(114,355,440)
LSTI	23,807	-	-	23,807
	<b>₱142,122,304</b>	<b>(₱1,880,919)</b>	<b>₱-</b>	<b>₱140,241,385</b>

  

	2015			
	Balance at beginning of year	Net loss for the year	Other comprehensive loss for the year	Balance at end of year
SREDC	₱259,853,612	(₱3,354,075)	(₱45,600)	₱256,453,937
TWMRSI	(114,297,142)	(58,298)	-	(114,355,440)
LSTI	74,767	(50,960)	-	23,807
	<b>₱145,631,237</b>	<b>(₱3,463,333)</b>	<b>(₱45,600)</b>	<b>₱142,122,304</b>

Other comprehensive loss pertains to fair value loss on AFS investment for the year attributable to non-controlling interest.

## 23. Financial Instruments

The following tables set forth the carrying values and estimated fair values of the Company's financial asset and liabilities recognized as of June 30, 2016 and December 31, 2015:

<b>2016</b>					
				Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)
	Note	Carrying value	Fair value		
<b>Financial assets:</b>					
Cash	6	₱1,649,480	₱1,649,480	₱-	₱1,649,480
Receivables*	7	250,142,630	250,142,630	-	250,142,630
Due from related parties	17	794,422,084	794,422,084	-	794,422,084
AFS investments	10	370,000	370,000	370,000	-
		<b>₱1,046,584,194</b>	<b>₱1,046,584,194</b>	<b>₱370,000</b>	<b>₱1,046,214,194</b>
<b>Financial liabilities:</b>					
Trade and other payables**	15	₱18,891,174	₱18,891,174	₱-	₱18,891,174
Due to related parties	17	5,221,883	5,221,883	-	5,221,883
Loans payable	16	18,740,000	18,740,000	-	18,740,000
		<b>₱42,853,057</b>	<b>₱42,853,057</b>	<b>₱-</b>	<b>₱42,853,057</b>
<b>2015</b>					
				Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)
	Note	Carrying value	Fair value		
<b>Financial assets:</b>					
Cash	6	₱1,650,178	₱1,650,178	₱-	₱1,650,178
Receivables*	7	250,142,630	250,142,630	-	250,142,630
Due from related parties	17	800,704,464	800,704,464	-	800,704,464
AFS investments	10	370,000	370,000	370,000	-
		<b>₱1,052,867,272</b>	<b>₱1,052,867,272</b>	<b>₱370,000</b>	<b>₱1,052,497,272</b>
<b>Financial liabilities:</b>					
Trade and other payables**	15	₱18,891,174	₱18,891,174	₱-	₱18,891,174
Due to related parties	17	5,221,883	5,221,883	-	5,221,883
Loans payable	16	18,740,000	18,740,000	-	18,740,000
		<b>₱42,853,057</b>	<b>₱42,853,057</b>	<b>₱-</b>	<b>₱42,853,057</b>

\*Excludes nonfinancial assets

\*\*Excludes deposit from customers and government payables.

### Methods and Assumption Used to Estimate Fair Value

The carrying value of cash, receivables, accounts payable and accrued expenses and due to and from related parties approximate the fair value due to the short-term nature of the transactions.

AFS investment in a listed company included in Level 1 is valued based on published prices. Loan payable is carried at the outstanding principal amount of the loan. The fair value of financial assets and liabilities included in Level 2 which are not traded in an active market are determined based on the expected cash flows of the underlying asset and liability based on the instrument where the significant inputs required to determine the fair value of such instrument are directly or indirectly observable.

The Group has no financial instruments that are carried at FVPL.

## 24. Financial Risk Management Objectives and Policies

The Group is exposed to a variety of financial risks, which resulted from its operating, investing and financing activities. The Group's principal financial instruments comprise of cash, receivables, AFS investment, accounts payable and accrued expenses, loan payable and due to and from related parties. The main purpose of investing these financial instrument (assets) is to maximize interest yield and for capital appreciation. The main purpose of loan is to finance the Group's operations.

The Group's policies and guidelines cover credit risk, liquidity risk, interest rate risk and foreign currency risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Group's results and financial position. The Group actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principles.

- Credit Risk  
Credit risk refers to the risk that counterparty will default and/or fail to honor its financial or contractual obligations, resulting in financial loss to the Group. The Group only transacts with recognized and creditworthy counterparties, like investing in creditworthy equities.

### a. Credit Quality

Below is the credit quality per class of the Group's financial assets as of June 30, 2016 and December 31, 2015.

	<b>2016</b>			
	Neither past due nor impaired		Past due and Impaired	Total
	High Grade	Standard Grade		
Cash	₱1,155,550	₱493,930	₱-	₱1,649,480
Receivables – net*	250,142,630	-	10,194,828	260,337,458
Due from related parties	794,422,084	-	39,717,922	834,140,006
AFS investment	370,000	-	-	370,000
	<b>₱1,046,090,264</b>	<b>₱493,930</b>	<b>₱49,912,750</b>	<b>₱1,096,496,944</b>

	<b>2015</b>			
	Neither past due nor impaired		Past due and Impaired	Total
	High Grade	Standard Grade		
Cash	₱1,155,550	₱494,628	₱-	₱1,650,178
Receivables – net*	250,142,630	-	10,194,828	260,337,458
Due from related parties	800,704,464	-	39,717,922	840,422,386
AFS investment	370,000	-	-	370,000
	<b>₱1,052,372,644</b>	<b>₱494,628</b>	<b>₱49,912,750</b>	<b>₱1,102,780,022</b>

\*Excludes nonfinancial asset.

High grade cash are placed, invested, or deposited in local banks belonging to the top 25 banks in the Philippines in terms of resources and profitability, otherwise cash in banks are considered standard.

Standard grade accounts consist of receivables from its debtors with good financial condition and with relatively low defaults. Substandard grade accounts on the other hand, are receivables from other counterparties with history of defaulted payments.

These counterparties include banks, customers and related parties who pay on or before due date.

b. Credit risk exposure

With respect to credit risk arising from other financial assets of the Group, which comprise of cash, receivables and due from related parties, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The table below summarizes the maximum exposure to credit risk for the components of the Group's financial assets as of June 30, 2016 and December 31, 2015.

	<b>2016</b>	2015
Cash in banks	<b>₱1,649,480</b>	₱1,650,178
Receivables-net*	<b>250,142,630</b>	250,142,630
Due from related parties-net	<b>794,422,084</b>	800,704,464
AFS investments	<b>370,000</b>	370,000
	<b>₱1,046,584,194</b>	₱1,052,867,272

\*Excludes nonfinancial assets.

c. Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence.

The Group is not exposed to large concentration of credit risks.

d. Impairment assessment

The Group recognizes impairment losses based on the results of the specific/individual assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, infringement of the original terms of the contract has happened, or when there is inability to pay principal or interest overdue, if any, beyond a certain threshold. These and other factors constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The Company applies specific/individual assessment methodology in assessing and measuring impairment.

Under specific/individual assessment, the Group assesses each individual significant credit exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment. Among the items and factors

considered by the Company when assessing and measuring specific impairment allowances are: (a) the timing of the expected cash flows; (b) the projected receipts or expected cash flows; (c) the going concern of the counterparty's business; (d) the ability of the counterparty to repay its obligations during financial crises; (e) the availability of other sources of financial support; and, (f) the existing realizable value of collateral, if any. The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

- Liquidity Risk

The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and cover its operating costs. The Group's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information. Additional short-term funding is obtained from related party advances.

*Maturity Profile*

The maturity profile of the Group's financial assets and liabilities are presented below:

	<b>2016</b>			Total
	On demand	Less than one year	Due beyond one year but not more than five years	
<b>Financial assets</b>				
Cash	₱1,649,480	₱-	₱-	₱1,649,480
Receivables*	-	250,142,630	-	250,142,630
Due from related parties	794,422,084	-	-	794,422,084
AFS investments	-	370,000	-	370,000
	<b>₱796,071,564</b>	<b>₱250,512,630</b>	<b>₱-</b>	<b>₱1,046,584,194</b>
<b>Financial Liabilities</b>				
Trade and other payables**	₱-	₱18,891,174	₱-	₱18,891,174
Due to related parties	5,221,883	-	-	5,221,883
Loans payable	-	15,030,000	3,710,000	18,740,000
	<b>₱5,221,883</b>	<b>₱33,921,174</b>	<b>₱3,710,000</b>	<b>₱42,853,057</b>

	<b>2015</b>			Total
	On demand	Less than one year	Due beyond one year but not more than five years	
<b>Financial assets</b>				
Cash	₱1,650,178	₱-	₱-	₱1,650,178
Receivables*	-	250,142,630	-	250,142,630
Due from related parties	800,704,464	-	-	800,704,464
AFS investments	-	370,000	-	370,000
	<b>₱802,354,642</b>	<b>₱250,512,630</b>	<b>₱-</b>	<b>₱1,052,867,272</b>
<b>Financial Liabilities</b>				
Trade and other payables**	₱-	₱18,891,174	₱-	₱18,891,174
Due to related parties	5,221,883	-	-	5,221,883
Loans payable	-	15,030,000	3,710,000	18,740,000
	<b>₱5,221,883</b>	<b>₱33,921,174</b>	<b>₱3,710,000</b>	<b>₱42,853,057</b>

\*Excludes nonfinancial assets

\*\*Excludes deposit from customers and government payables

- **Foreign Currency risk**  
Currency risk arises when transactions are denominated in foreign currency. The company is not exposed to significant foreign currency risk given that the company's foreign currency denominated financial assets which pertains to cash in bank is not significant in amount.
- **Market risks**  
Market risk refers to the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates, and agricultural production and prices will affect the Group's income. That objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk. The Group is subject to the following market risks:

*a. Interest Rate Risk*

The Group is exposed to interest rate fluctuations on their cash in banks and loan payable. Other financial assets and liabilities which principally arise in the ordinary course of its operations are generally short-term and non-interest bearing.

Historically, the rate fluctuations relative to its cash in banks are minimal. Interest rates in 2015 and 2014 is less than 1%.

*b. Equity Price Risk*

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. Changes in fair value of available-for-sale equity instruments due to a reasonably possible change in equity indices, with all other variables held constant will increase equity by ₱120,000 as of December 31, 2015, if equity prices will increase by 1%. An equal change in the opposite direction would have decreased equity by the same amount.

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## 25. Capital Management

The primary objective of the Group's capital management is to ensure its ability to continue as a going concern and maintains healthy ratios in order to support its business and maximize shareholders' value.

The Group considers the following accounts as its capital:

	<b>2016</b>	2015
Capital stock	<b>₱1,803,278,568</b>	₱1,803,278,568
Additional paid-in capital	<b>268,090,531</b>	268,090,531
Deficit	<b>(1,014,569,612)</b>	(1,013,153,859)
Share in other comprehensive income of an associate	<b>(10,046,002)</b>	(10,046,002)
Unrealized loss on fair value of AFS investments	<b>(390,600)</b>	(390,600)
	<b>₱1,046,362,885</b>	₱1,047,778,638

The Group manages capital on the basis of the debt-to-equity ratio which is calculated as total debt divided by total equity.

The debt-to-equity ratios as at June 30, 2016 and December 31, 2015 follow:

	<b>2016</b>	2015
Total debt	<b>₱220,042,745</b>	₱234,569,545
Total equity	<b>1,186,604,270</b>	1,047,778,638
Debt-to-equity ratio	<b>0.185:1.00</b>	0.224:1.00

The Group had not been subjected to externally imposed capital requirements in 2016 and 2015. No changes were made in the objectives, policies, and processes during the period ended June 30, 2016 and December 31, 2015.

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## 26. Segment Reporting

### Business Segments

For management purposes, the Group is organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The industry segments where the Group operates are as follows:

- a. The Holding segment is engaged in investment holding;
- b. The Renewal energy segment is engaged in the business and/or operation of renewable energy system and/or harnessing renewable energy resources;
- c. The Waste management segment is engaged in the business of building, operating and managing waste recovery facilities; and
- d. The Semiconductor segment is engaged in the manufacturing, development, sales, marketing and logistics of semiconductor products.

### Segment Assets and Liabilities

Segment assets and liabilities include all operating assets used by a segment and consists principally of operating cash, receivables, due to related parties, property and equipment and investment property. Segment liabilities include all operating liabilities and consist principally of trade and other payables and loans.

### Segment Transactions

Segment income, expenses and performance include income and expenses from operations. Intercompany transactions are eliminated in consolidation.

### Segment Financial Information

The segment financial information is presented as follows:

	2016					Total
	Holding	Renewable Energy	Waste Management	Real Estate	Information technology	
Share in income of an associate	₱2,112,669	₱-	₱-	₱-	₱-	₱2,112,669
General and administrative expenses	(363,579)	-	-	(4,902,972)	-	(5,266,551)
Foreign exchange gain (loss)	-	-	-	-	-	-
Depreciation	(96,325)	-	-	(48,767)	-	(145,092)
Interest expense	-	-	-	-	-	-
Other operating expense - net	-	-	-	-	-	-
Miscellaneous income	-	-	-	-	-	-
Interest income	348	-	-	1,954	-	2,302
Income tax expense	-	-	-	-	-	-
Net loss	1,653,113	-	-	(4,949,785)	-	(3,296,672)
Income tax expense	-	-	-	-	-	-
Depreciation	96,325	-	-	48,767	-	145,092
<b>EBITDA</b>	<b>₱1,749,438</b>	<b>₱-</b>	<b>₱-</b>	<b>(₱4,901,018)</b>	<b>₱-</b>	<b>(₱3,151,580)</b>
<b>Assets and Liabilities</b>						
Segment assets	₱727,407,847	₱460,839	₱41,118	₱678,471,238	₱265,973	₱1,406,647,015
Segment liabilities	₱171,089,184	₱1,198,116	₱11,850	₱47,682,985	₱60,610	₱220,042,745

  

	2015					Total
	Holding	Renewable Energy	Waste Management	Real Estate	Information technology	
Share in loss of an associate	(₱135,710,242)	₱-	₱-	₱-	₱-	(₱135,710,242)
General and administrative expenses	(7,908,586)	(59,165)	(118,999)	(6,898,592)	(104,000)	(15,089,342)
Foreign exchange gain (loss)	9,069	-	-	-	-	9,069
Depreciation	(489,892)	-	-	(97,534)	-	(587,426)
Interest expense	-	-	-	(1,837,172)	-	(1,837,172)
Other operating expense - net	(21,826)	-	-	-	-	(21,826)
Miscellaneous income	160	-	-	2,367	-	2,527
Interest income	1,749	1,848	23	4,466	-	8,086
Income tax expense	(185)	-	-	(47)	-	(232)
Net loss	(144,119,753)	(57,317)	(118,976)	(8,826,512)	(104,000)	(153,226,558)
Income tax expense	185	-	-	47	-	232
Depreciation	489,892	-	-	97,534	-	587,426
<b>EBITDA</b>	<b>(₱143,629,676)</b>	<b>(₱57,317)</b>	<b>(₱118,976)</b>	<b>(₱8,728,931)</b>	<b>(₱104,000)</b>	<b>(₱152,638,900)</b>
<b>Assets and Liabilities</b>						
Segment assets	₱740,281,533	₱460,839	₱41,118	₱683,421,024	₱265,973	₱1,424,470,487
Segment liabilities	₱195,554,129	₱1,198,116	₱11,850	₱37,744,840	₱60,610	₱234,569,545

Currently, the Group's operation is only in the Philippines, hence no geographical segment. The Group however has its operating segments in different regions of the country.



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**27. Other matters**

On Voluntary Trading Suspension

On May 13, 2015, the Parent Company requested for a voluntary suspension in the trading of its securities in the PSE. The request was filed in order to prevent any unusual volatility in the trading of the Parent Company's securities that may cause investor panic as a result of a news article on the inclusion of certain bank accounts of the Parent Company being included in a Freeze Order issued by the Court of Appeals.

On said date, the PSE suspended the trading of the Parent Company's securities until further notice.

On Civil Forfeiture

On December 14 and 15, 2015 the Regional Trial Court of the City of Manila, Branch 53, (the "Court") placed under asset preservation specified bank accounts of (i) Parent Company and (ii) SREDC, a subsidiary of the Parent Company (the "Order"). The Order was predicated solely on the allegation made by the Anti-Money Laundering Council ("AMLC") that multiple transactions involving receipt of inward remittances and inter-branch fund transfers between Parent Company, SREDC, and related corporations were allegedly without any underlying legal or trade obligation, purpose, or economic justification and/or that they were allegedly not commensurate to the business or financial capacity of the parties involved.

The rules on confidentiality and *sub judice* bar the Parent Company from publicly going into the details of the ongoing proceedings with the Court; however, the Parent Company wishes to draw attention to the disclosures dated June 30, 2014 and July 1, 2, 3, 7 and 10, 2014 (Material Disclosures") lodged by the Parent Company with the PSE (hence, already public and readily accessible) that would show that the receipts and transmittals involving the corporations had economic justifications and involved business transactions, which were timely made public.